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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,887 — Thursday July 6 1989 — D 8523A

SPAIN

Gandi's vision shines brightly

Page 3

World News

Suspended prison sentence for North

Colonel Oliver North, the White House aide at the centre of the Iran – Contra arms scandal, was given a three-year suspended prison sentence and ordered to pay a $150,000 fine for covering up his role in the affair.

He was put on probation for two years, barred from holding public office in the US, and ordered to perform 1,200 hours service helping inner-city youth avoid drug addiction. Page 16

HK Bill of Rights

A new Bill of Rights is to be introduced by the Hong Kong Government to entrench essential freedoms in the colony ahead of its transfer to China in 1997. Page 4

Iran troops call

Iran called on the UN to compel Iraq to withdraw its troops from the more than 2,000 square kilometres of Iranian territory they still occupy. Page 4

Rome pact possible

Italy's Prime Minister-designate, Mr Ciriaco De Mita, won a brief extension of his mandate after signs of a breakthrough in the 47-day government crisis. Page 3

Junta talks pledge

Sudan's new military leader said his junta would start peace talks with rebels fighting a six-year civil war. Page 4

Tokyo campaign

Japan's ruling party opened its campaign for the first national election in three years with a frank admission from Mr Sousuke Uno, Prime Minister, that it was "sailing against the winds". Page 4

Rail dispute deepens

British Rail announced record profits of £304m ($480m) for 1989/90 but insisted that it could not increase its 7 per cent award to striking rail staff. Page 9

Opposition first

The opposition has won a governorship in Mexico for the first time since the Institutional Revolutionary Party took power in 1929. Page 6

Colombo censorship

Sri Lanka imposed press censorship and mobilised thousands of military reservists to tackle violence by rebels.

Vichy chief dies

Jean Leguay, 79, former police chief of Vichy France, who was charged but never prosecuted for crimes against humanity, died in Paris.

New EC fraud plan

Long lines of trucks at frontiers between EC countries could virtually disappear if member states were to follow a new tax fraud control system proposed by the European Commission. Page 3

Court acts on bonds

Eight companies marketing high performance investment bonds to small investors in Germany and other European countries were wound up in London's High Court. Page 9

Pub with no beer

Dublin parents worried about heavy drinking among teenagers are to build Ireland's first pub with no beer and have launched a campaign to raise Ir£100,000 punts ($150,000).

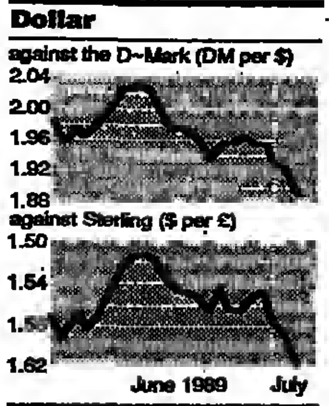
Business Summary

Angry exit by Plessey from GEC peace talks

Plessey's latest attempt to escape the threat of takeover collapsed when it pulled out of peace talks with the General Electric Company amid bitter recriminations over GEC's negotiating tactics.

Mr Stephen Walls, managing director of the UK electronics group, suggested at a press conference that GEC may have been using the talks to "cause disruption and manipulate the market" in Plessey shares. Page 17

MARKETS: Concern over the outlook for the US economy and narrowing interest rate differentials pushed the dollar down to a two-month low of



DM1.8905. Relatively high UK rates helped sterling gain 3.20 cents to $1.6195 and improve to DM3.0625 from DM3.0500. Currencies, Page 36

NEWS that Consolidated Gold Fields, mining investment company, has given up its fight for independence and agreed to a revised £3.5bn ($5.5bn) offer from Hanson, UK conglomerate, received a very lukewarm reception in the City of London. Page 17

PARIS: The stock exchange is about to suffer its third bankruptcy in the space of one year. Rondeleux, ranked among the 10 largest firms in Paris by trading volume, is to file for bankruptcy today. Page 17

OLIVETTI, Italian office equipment and computer manufacturer won one of the single largest contracts for banking automation systems ever awarded worth Fl 750m guilders ($346m). Page 6

ELDERS: Mr John Elliott and his fellow directors of Elders IXL, Australian brewing and agribusiness group, are preparing to launch a bid for the company valuing it at A$5.5bn ($4.2bn). Page 17.

PROPOSALS for the European Commission to control mergers came under fire from Sir Gordon Borrie, UK Director-General of Fair Trading. Page 9

FUJITSU, Japan's largest computer manufacturer, is taking a 38 per cent stake in Poqet Computer, US-based company chaired by Mr Robb Wilmot, former chairman of International Computers of the UK. Page 19

WEST GERMANY'S federal budget deficit next year will rise to DM33.7bn ($17bn) from an expected DM27.8bn this year due to a 3.4 per cent increase in 1990 spending and proposed tax cuts. Page 16

CHINA'S application to rejoin the General Agreement on Tariffs and Trade has been put on hold following the Government's crushing of the student protest movement. Page 6

STATE Bank of India, country's largest commercial bank, is to launch a $100m mutual fund, India Magnum Fund, in the US. Page 21

NEGOTIATIONS for the replenishment of the funds of the International Development Agency will enter a crucial stage at a meeting of senior officials from donor countries in Copenhagen today. Page 6

Greek Government leaves without saying goodbye

By **John Wyles** in Athens

POWER has been not so much transferred in Greece this week as casually abandoned by the outgoing Socialist (Pasok) Government.

Mr Tzannis Tzannetakis, the new Prime Minister, and his colleagues complained yesterday that they had had to take office without the benefit of any briefings from their predecessors and they were unable to discover a single ministerial file on current policy issues.

Mr Constantine Mitsotakis, leader of New Democracy, the dominant party in the Conservative-Communist coalition sworn in last Sunday, said yesterday that they had broken a promise to organise a formal handover of power.

Mr Tzannetakis, Mr Mitsotakis's choice as coalition Prime Minister, arrived in the office occupied for the last seven years by Pasok leader Mr Andreas Papandreou, to find "there was only a postage stamp and not one document."

When the new Prime Minister asked what had happened to the files, "Pasok answered that they had dealt with everything and that no records were needed," said Mr Mitsotakis.

"I've not even had a phone call from Mr Papandreou or his collaborators," confirmed Mr Tzannetakis. "So we have to start building a new administration from the very bottom. We shall do it very fast, but it is an unfortunate waste of time."

According to Mr Mitsotakis, the situation in the Foreign Ministry was especially parlous since all documents relating to the highly sensitive negotiations with Washington on the future of US bases in Greece had disappeared. Mr Tzannetakis, who is also Foreign Minister, could only manage to obtain a copy because the senior official in charge of the negotiations had kept a set of documents for himself.

"Our new ministers have the feeling that pirates have occupied the state and then fled," said the New Democracy leader. Mr Mitsotakis also alleged that Mr George Papandreou the former Prime Minister's son who was Minister of Education, had waited until Tuesday before returning two Government cars and a personal guard of 17 policemen and seven motorcyclists.

Mr Menios Koutsogiorgas, who resigned in February as Mr Papandreou's Deputy Prime Minister after being implicated in the Koskotas banking scandal, still had his government car, said Mr Mitsotakis.

He refrained, however, from holding the former Prime Minister directly responsible for the instruction that all outgo-

Continued on Page 16

Mitsotakis: found no records

Price Waterhouse and Arthur Andersen plan biggest services firm

By **David Waller** in London

ARTHUR Andersen and Price Waterhouse, the international accountancy and consulting firms, are today expected to announce a proposed merger which could create the world's largest professional services firm.

Neither firm would comment yesterday on the planned link-up which still has to be endorsed by the respective partnerships.

The proposed move follows the merger between Ernst & Whinney and Arthur Young, two of the other "Big Eight" firms which dominate international accountancy. That merger was voted through at the end of last month, prompting speculation that other large firms would follow suit.

In terms of fee income and number of professional staff, the Andersen-Price Waterhouse firm would displace Ernst & Young from its briefly held position as the world's largest firm. The new firm will have more than 60,000 professional staff and joint fee income of $5.03bn compared with Ernst & Young which has 47,100 professional staff and fee income of $4.24bn.

The merged firm would have a combined partnership of 4,642, compared with the 6,059 partners at Ernst & Young.

In global terms, the Chicago-based Arthur Andersen is the larger of the two firms, with fee income of $2.82bn in 1988 compared with the $2.22bn earned by Price Waterhouse in the same year. London-based Price Waterhouse has more partners, however, with 2,626 against Andersen's 2,016.

In the UK, Price Waterhouse is larger than Andersen, with fee income of £222m last year, giving it third place after Peat Marwick and Coopers & Lybrand. Arthur Andersen had fees of £144m in the UK, putting it in sixth place.

Despite the competitive pressure on the international firms, it is by no means certain that this merger will go through. Members of the Big Eight firms have discussed merging many times during the 1980s, but until the Ernst & Young link-up the only successful merger was between Peat Marwick and KMG, then the ninth largest firm.

That merger was achieved with relatively little fall-out from the partnership. As in the case of Ernst & Young it was argued that there were strong geographical and business reasons for tying the knot.

One possible obstacle to the Andersen-Price Waterhouse link-up is the corporate culture difference between the two firms. Andersen likes to project itself, in the UK at least, as aggressive and "American" in its approach, while Price Waterhouse is a classically British firm.

The two firms are likely to argue that there are geographical synergies between Andersen's strong position in the US and Price Waterhouse's in the UK. Another argument is likely to be that the internationalisation of clients requires global consolidation.

The Big Eight firms were created in the 1960s and 1970s when national firms – led by those in the UK and the US – came together as a response to the creation of multinational companies. Arthur Young was created in 1968 while E & W was the last of the eight to be formed, in 1979.

The rationale at first was that companies straddling national border required a consistent audit in all parts of the world. In time, the audit client base was exploited by the firms to build large international practices in other areas such as management, systems and tax consultancy.

Lex, Page 16

Shamir initiative for West Bank wins backing

By **Hugh Carnegy** in Tel Aviv

MR Yitzhak Shamir, Israel's Prime Minister, last night won a rousing show of unity within his Likud Party over his Government's peace proposals for the occupied territories, but at the cost of significant concessions to rebels on the right of his party.

In a deal with three Cabinet ministers opposed to his peace initiative – which was struck just before a special party conference on the plan – Mr Shamir accepted a joint resolution affirming four conditions to limit the scope of the proposals.

The resolution, agreed amid cheers and singing by almost all the 2,600 members of Likud's central committee, endorsed the continued pursuit of the peace initiative.

This proposes elections in the occupied West Bank and Gaza Strip leading to interim Palestinian self-rule, followed by negotiations on a final settlement.

But Mr Shamir's concessions will be opposed by the US and have narrowed the Government's room for manoeuvre, as Washington seeks to engage the Palestine Liberation Organisation and local Palestinians in the peace process.

The resolution ruled out any talks before the ending of all violence in the 19-month-old Palestinian uprising in the territories; excluded the participation in elections of Arab inhabitants of East Jerusalem; and affirmed the continuation of Jewish settlement of the West Bank and Gaza.

It also ruled out negotiations with the PLO or the establishment of a Palestinian state.

Importantly, the resolution also bound Likud members of the coalition Government to act in accordance with those principles.

Mr Shamir's supporters said the conference outcome did not affect the Government's commitment to the peace plan and added that it had strengthened his position in the party.

But yesterday's resolution may erode US support for the Israeli Prime Minister's initiative.

The US – attacked strongly by Mr Shamir in his speech for its contacts with the PLO – has specifically called for an end to Jewish settlement and the inclusion of East Jerusalem Arabs in any elections.

Mr Shamir's Likud opponents were clearly pleased with the result.

"This fills in the holes in the cheese," said Mr Yitzhak Moda'i, who, with Mr Ariel Sharon and Mr David Levy, was one of the three ministers who led the opposition.

Mr Shamir, calling for party unity, pledged that the battle against the Palestinian uprising "will continue, shall be stepped up, we shall win."

He called for Jewish settlement to continue, and said: "Jerusalem is one city, indivisible, and it shall be indivisible for generations to come."

He acknowledged differences with his Labour Party coalition partners over the principle of conceding land for peace, but said: "I do not see any territorial concessions at the end of this process."

Gorbachev holds out possibility of talks with Walesa

By **Ian Davidson** in Paris and **John Lloyd** in London

MR MIKHAIL Gorbachev, the Soviet President, yesterday held out the possibility of a meeting with Mr Lech Walesa, leader of the Polish Solidarity trade union.

The meeting would attempt to help Poland's search for governmental stability and legitimacy, following the recent setback to the Polish Communist party and the sweeping gains of the Solidarity candidates.

Mr Gorbachev said he "saw no obstacle, in the context of the process now under way, to the possibility of a meeting with this organisation which is recognised by the Polish people and present in the Sejm."

Mr Gorbachev ostentatiously declined to endorse General Wojciech Jaruzelski as a candidate in the forthcoming presidential election in Poland, even though he referred explicitly to the fact that some people were urging the general to reconsider his decision not to stand.

"General Jaruzelski," he said, "is a very conscientious politician, and I think he must have weighed the pros and the cons." Mr Gorbachev added that it was a matter for the Poles.

In Poland, the impasse continues, as both General Jaruzelski and General Czeslaw Kiszczak, the Interior Minister proposed by General Jaruzelski for president, are testing their support.

Within the 259-strong Solidarity group in parliament, debate continues over whether they should assist in the formation of a government. An apparent majority is presently supporting Mr Walesa's reluctance to get involved in administering Poland's deepening crisis.

Mr Gorbachev's comment, implicitly supporting Solidarity's closer involvement in government, is a further signal of how dramatically Soviet policy on Eastern Europe has shifted. Less than eight years ago, the man whom he now would meet was interned as General Jaruzelski cracked down on dissent to pre-empt a feared Soviet invasion.

The Soviet leader was speaking at a press conference held jointly with French President François Mitterrand in Paris, at the conclusion of his two-day visit to France. Their bilateral talks have been crowned with a joint declaration on the crisis in Lebanon, as well as with a score of bilateral co-operation agreements.

Hong Kong airport staff lured by Qantas with passport offer

By **Michael Marray** in Hong Kong and **Chris Sherwell** in Sydney

QANTAS, the Australian airline, is attempting to recruit maintenance and engineering staff from Hong Kong airport by offering them jobs which will ultimately entitle them to Australian passports. Nearly a third of the staff are seriously considering the offer.

The move, a coup for Qantas which is desperately short of skilled engineers and maintenance staff, will be a further blow to confidence in Hong Kong which is suffering an accelerating brain drain as its best qualified people leave in search of security and passports elsewhere.

The Hong Kong Government and Cathay Pacific, the colony's airline, are both understood to have expressed concern to the Australian Government in Canberra.

Hong Kong officials raised the issue with Sir Geoffrey Howe, the British Foreign Secretary, during his visit this week, citing it as a dramatic example of the crippling effect the brain drain will have on the local economy if an insurance policy in the form of right of abode in the UK is not granted to Hong Kong people.

Qantas, which is also trying to recruit in Singapore, Britain and Ireland, sent airline executives to Hong Kong together with an Australian immigration official. They interviewed more than than 150 of the 400 highly qualified engineering employees of Haeco and up to 180 are expected to join Qantas and move to Australia within two to six months, once applicants produce professional and technical certificates and immigration documentation.

About 50 per cent of Haeco's business comes from Cathay Pacific Airways, which like Haeco, is part of the Swire group of companies and operates a fleet of more than 30 Boeing 747 and TriStar aircraft.

The Hong Kong Government and Cathay Pacific would like the departures staggered over a longer period to allow Haeco time to adjust.

The loss of more than 100 of about 400 licensed engineers at Haeco would deal a severe blow to the company, which provides the vital maintenance services to airlines operating in and out of Hong Kong's Kai Tak international airport.

Under Australia's employment sponsorship scheme, workers with skills which are short in Australia could export to gain citizenship and a passport three years after arriving.

Mr Gary Southwell, manager of Qantas in Hong Kong, said that the local recruitment drive had started long before the June 4 suppression of demonstrators in Peking shook confidence in the future of Hong Kong.

Licensed aircraft maintenance engineers, who have the authority to sign aircraft off as being fit to fly, are in short supply worldwide. Qantas have advertised locally before but have failed to have much success, offering a financial package not much better than that obtainable locally.

But the company is known to have stepped up its campaign in Hong Kong in the wake of June 4 to take advantage of the rush for foreign passports. The airline failed to predict the tourist boom in Australia and is having difficulty maintaining and expanding its international services network due to a shortage of qualified maintenance staff.

Mr Geoffrey Bentley, the Australian consul-general in Hong Kong, said that any applications from Qantas under the employer sponsorship programme would be processed in the normal manner.

Most airlines using Kai Tak use Haeco, which undertakes the complete overhaul, modification and refurbishment of aircraft, as well as line maintenance providing transit and overnight services and engine, component and avionic overhaul.

MARKETS

STERLING
New York lunchtime:
$1.623
London:
$1.6195 (1.5875)
DM3.0625 (3.05)
FFr10.365 (10.365)
SFr2.6225 (2.615)
Y225 (224.75)
£ index 91.6 (91.2)

GOLD
New York: Comex Aug
$388.4
London:
$383.75 (376.25)

N SEA OIL (Argus)
Brent 15-day Jul
$18.7 (18.62)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.884
FFr6.394
SFr1.6155
Y138.505
London:
DM1.8905 (1.9215)
FFr6.4125 (6.5225)
SFr1.62 (1.6465)
Y138.9 (141.55)
$ index 70 (70.9)
Tokyo close: Y140.2

US LUNCHTIME RATES
Fed Funds 9⅞%
3-mo Treasury Bills: yield: 7.994%
Long Bond: 108⅝
yield: 8.125%

STOCK INDICES
FT-SE 100:
2,162.9 (−11.5)
FT Ordinary:
1,798 (−2.3)
FT-A All Share:
1,109.36 (−0.4%)
FT-A long gilt yield index high coupon:
9.6 (9.61)
New York lunchtime:
DJ Ind. Av.
2,462.56 (−0.18)
Tokyo: Nikkei
33,309.71 (+119.33)

LONDON MONEY
3-month interbank:
closing $13\frac{15}{16}$% (14)

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Iran starts on its reconstruction decade, after Khomeini

Mr Rafsanjani's greatest coup so far has been in pushing through changes to the constitution aimed at centralising executive control. The post-Khomeini system is taking shape. Page 16

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EUROPEAN NEWS

EC to seek fresh tactics to prevent rise in tax evasion

By David Buchan in Brussels

EUROPEAN Community finance ministers should examine ways of bringing psychological pressure on their taxpayers to prevent tax evasion through possible abuse of the next year's planned liberalisation within the EC of the movement of capital.

This is the thrust of a paper which Mrs Christiane Scrivener, the European tax commissioner, will present to finance ministers in Brussels next Monday.

Mrs Scrivener is also expected to suggest that tax authorities in the Community step up co-operation with their counterparts in major partners such as the US, Japan and the European Free Trade Association countries so that removal of most EC exchange controls on July 1 1990 does not lead to widespread tax evasion by EC residents.

Efforts by the Commission to minimise the risk of increased tax evasion met a serious setback earlier this year when West Germany repealed its own withholding tax on bonds.

The move effectively killed a proposal put forward by the Commissioo for a Community-wide minimum 15 per cent tax-at-source on income from bank deposits and bonds, which was already facing opposition from the UK and Luxembourg. EC tax proposals require unanimity among the 12 member states.

Mrs Scrivener cited this week two foreign practices which she believed the Community might want to imitate. One is the requirement for US taxpayers to report to the Internal Revenue Service any transfer abroad of more than $5,000. Under normal circumstances, the IRS cannot block such a transfer but can question an individual on its nature.

The second is a new system whereby West German banks inform their clients what capital income the clients should report to the German tax aothorities. Both measures were yesterday described by a spokesman for Mrs Scrivener as putting "psychological pressure on taxpayers to behave themselves."

On July 1 next year, the eight richer EC states are due to lift all exchange controls, while Spain, Greece, Ireland and Portugal have longer grace periods.

Of the eight, the only countries with significant exchange controls left are France and Italy. The French Government has issued the occasional threat to renege on its capital liberalisation pledge, if there are no Community measures to dissuade its citizens from hiding their tax-shy money in neighbouring havens such as Luxembourg.

Interior Minister presents secret service view of Communist dominated Europe

Fear of Evil Empire still stalks Bonn corridors

By David Marsh

LESS THAN a month ago in Bonn, President Mikhail Gorbachev and Chancellor Helmut Kohl committed themselves to East-West efforts to work towards a "common European home" built on "peace and co-operation".

This week, Mr Wolfgang Schäuble, the Bonn Interior Minister, unvelling the annual report of West Germany's domestic secret service, put forward a different vision of a Europe potentially dominated by international Communism.

He said the West German Communist Party (DKP) – which receivee eubstantial illicit finance from East Germany – and other extreme left-wing organisations on German soil was aiming to establish "Socialist-Communist dictatorship or anarchy" in the Federal Republic.

The apparent contradiction between the two images is partly a matter of emphasis. But it also underlines how the West German Governmeot, torn between residual Cold War anti-Communism and the yearning to find an understanding with reformists in Eastern Europe, finds it intensely difficult to present a united view on coming to terms with the East.

Mr Schäuble was presenting the annual report of the Bundesamt für Verfassungsschutz (BfV), literally, the Federal Agency for the Protection of the Constitution, which has the job of checking political radicals and catching spies.

He insisted that left-wing extremists, led by the DKP with around 35,000 members, were more important in number than ultra-right-wing radicals in West Germany. This was in spite of the receot increase in popularity of the far right, led by the Republican party – which the BfV has not yet decided whether to classify as "extremist".

The Republicans, which now have around 18,000 members, won more than 7 per cent of votes in last month's European elections. They have succeeded in injecting a note of radical populism into West German politics which is a clear threat to Kohl coalition.

Asked about the apparent contradiction between the common Europe home theme and the aims attributed to the East German Communist Party, Mr Schäuble replied somewhat lamely that Moscow and East Berlin these days tended to follow different objectives.

Similar confusion has been served up in recent days in the form of a row over the Federal Republic's lingering claims on parts of Poland which belonged to the Third Reich.

Mr Theo Waigel, the Bonn Finance Minister and leader of the Bavarian conservative party, the Christian Social Union (CSU), stirred up the hornets' nest last weekend by re-affirming that Polish territory which was previously part of the German empire represented an unsolved part of the "German Qnestion". He promptly earned a rebuke from Mr Hans-Dietrich Genscher, the Foreign Minister, who launched a broadside against those "wishing to turn back the wheel of history".

In a purely legal sense, the CSU leader is right. The German Empire in its borders at the end of 1937 (before the acquisition of Austria and Czechoslovakia) has never ceased to exist.

This is the consequence of the absence of post-1945 peace treaties between the two German states and the four war victor powers. This means not only that the door is ajar on German reunification, but also that Germany still has a technical claim on Silesia.

However, as Mr Genscher pointed out, under the 1970 Warsaw Treaty West Germany has accepted Poland's territorial integrity within its de facto post-war borders.

At a time when feathers have been ruffled in Warsaw by Bonn's failure to agree credits to back Poland's reform course, it was highly tactless of Mr Waigel to make the remark. But, since the established West German conservatives are struggling against the Republicans, Mr Waigel himself is under pressure to declare sympathy with German nationalists.

Brussels adopts plan to lift quality criteria barriers

By Tim Dickson in Brussels

A PLAN for removing the technical barriers which hinder free trade within the European Community has been launched in Brussels.

The ambitioue scheme - adopted in principle by the European Commission at its weekly meeting yesterday - is aimed at establishing common European quality criteria for all industrial products sold in the EC and hence a climate in which cross border commercial activitiee will better flourish.

This latest initiative on quality will go further than the already established principle of mutually recognising lawfully manufactured products in that member states will ultimately have to acknowledge that the testing and certification bodies (private and public laboratories) and the methods for analyeing the quality of a product in another country are comparable to their own.

"This climate of confidence which the Commission is seeking to create will enable traders to avoid the unnecessary expense involved in repeating the many different tests and type approvals for each market", the Commission said in Brussels yesterday.

The initiative also has important implications for the EC's trading partners.

The memorandum makes clear that countries like Japan and the US will benefit as their products will no longer be subjected to different national tests. But it also emphasises that negotiations will have to take place so that European products which have obtained the Community's quality mark will have unfettered access to other markets.

The essence of the Commission's plan is that national certification, testing and inspection activities - in short the whole arsenal of controls which guarantee to the consumer that a particular product deserves a quality mark - should be made uniform and transparent.

At the moment there are roughly 10,000 testing laboratories and 1,000 testing bodies in the EC - each with a different capacity, legal status and reputation.

The rouble may not be convertible for 15 years

By George Graham in Paris

SOVIET ministers in Paris yesterday warned that it may take 15 years for the rouble to become convertible and cautioned against too early a move to make it so.

Mr Valentin Pavlov, the new Soviet finance minister who is accompanying Mr Mikhail Gorbachev on his visit to France, said he thought convertibility would be achieved between the years 2001 and 2005, but it was not something that could be settled by decree.

"If it is very dangerous to get behind the times, it is also dangerous to get ahead of them."

Mr Pavlov's caution contrasts with the relative optimism of a number of reforming Soviet economists, who have suggested that the rouble could become freely convertible within six or seven years.

This objective has been viewed as unrealistic by most foreign analysts. Western bankers based in Moscow say that the rouble trades in Switzerland at around one sixth of the official conversion rate, while on the Moscow black market it is worth little more than an eighth of its official value.

Consumer goods, on the other hand, can be exchanged at around 20 times official rates.

Mr Vladimir Shcherbakov, newly appointed labour minister, added that it was not for his Government to decide when the rouble became convertible – the currency had to earn international recognition.

He said that from the beginning of 1991, however, the Soviet Union planned to modify the commercial rate.

This would apply a single, more realistic rate of conversion for companies in some sectors, like engineering and chemicals, where Soviet domestic prices were in correlation with international prices.

Soviet companies that need to buy foreign exchange are currently subject to a multitude of different coefficients which govern each sector.

Polish deputies begin to flex their muscles

By Christopher Bobinski in Warsaw

POLAND'S newly-elected 460 Sejm deputies in their first working session yesterday began to flex their parliamentary muscles and generally display a flair for independence which party managers on all sides of the house are going to find difficult to bear.

Yesterday, too, it became clear that the Communist Party leadership had decided not to try and proceed with an attempt to push through General Wojciech Jaruzelski's election as president before the arrival of Mr George Bush, the US President, on Sunday. They will wait till later in the month.

The general himself is still hesitating whether to stand for the post and has suggested that General Czeslaw Kiszczak, the interior minister, should stand in his place.

However, 172 out of the 173 Communist Party deputies in parliament have already signed a document nominating Genral Wojciech Jaruzelski and his candidacy is thought to have the backing of Poland's military establishment.

On another issue, however, the Communist group staged a small revolt against their own party apparatus by refusing to accept four candidates the party wanted to elect for a State Tribunal and pushed through a more liberal team as the Communist nominees for the court.

This did not mean, however, the communists were not ready to exchange shots with Solidarity deputies and there was a short sharp row just before a vote in accepting changes in the election rules which were made last month to allow Communists to elect their full contingent to Parliament after 33 prominent officials on a "National List" failed to get into the house.

The exchange came when Mr Jacek Szymandeski, a Farmers' Solidarity spokesman representing a constituency in Eastern Poland, implied that the Communist deputies had not been chosen in a fully free election, but were in the chamber on sufferance, and his speech brought an angry rejoinder from the Communist benches.

In the end, 311 deputies voted for the measures which allowed the National List to be replaced, while 21 voted against and 55 abstained.

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صكنا من الاصل

Spanish taxman opens treasure chest of black money

By Peter Bruce in Madrid

JUBILANT SPANISH tax authorities will today begin to make calls on up to 250,000 people named as holders of dubious insurance policies on seven computer disks handed over to the Finance Ministry in Barcelona this week by Spain's biggest savings bank, La Caixa.

The disks contain details of single premium life policies, *primas unicas*, worth some $7.3bn sold by La Caixa in 1985, 1986 and 1987 to clients who were told the investment was tax free and who were looking for bolt-holes for "black money".

Primas unicas became the single most important depository of such cash in Spain in those years and the surrender of the lists represents an immeasurable victory for the Treasury in its fight against tax fraud.

Tax evasion is arguably Spain's most chronic economic ailment. Mr Jaime Gaiteiro, the chief of the revenue service, took delivery of the Caixa tapes personally on Monday and warned those on the lists that they had just two days to file their own tax statements or risk being personally checked out by inspectors. The tax office in Barcelona said yesterday it had been inundated with thousands of applications for tax return forms.

Investor protection lawyers also say they are considering taking action against La Caixa for divulging the names. In the last five months, backed by the courts, the Treasury has forced other big insurance companies to produce the names of *primas unicas* policyholders as well.

La Union y El Fenix, part of the Banesto group, La Estralla, owned by Banco Hispano Americano, Banco Vitalico, owned by Banco Central, Catalana-Occidente, Caser, Hercules Espana and Sun Alliance have all been forced to deliver their clients into the hands of the taxman. They have handed over some 58,000 names, with investments worth $2.3bn.

The Treasury believes about $13bn was buried in *primas unicas* between 1985 and 1987. The country's biggest insurer, Euroseguros, which is owned by Banco Bilbao Vizcaya, came from nothing to take the lead in the industry in 1987 simply by virtue of its heavy *primas unicas* business and it is likely to be the revenue service's next target.

The Government's hunt for black money — in all, the revenue service believes untaxed earnings or investments in Spain amount to more than $25bn — is likely to be reinforced by its success with La Caixa. It has begun to tighten up on tax dodging in the property market, which is another important bolt-hole for black money.

By modernising its tax collection the Government has also been able to hold down its budget deficit for the past two years and the tax collected this year from exposed holders of *primas unicas* will also help soften a harsh anti-inflationary budget being planned for 1990 in the wake of the peseta's entry into the European Monetary system.

Gaudi's vision shines as brightly as ever in Barcelona after more than a century

Peter Bruce reviews progress on the Sagrada Familia cathedral

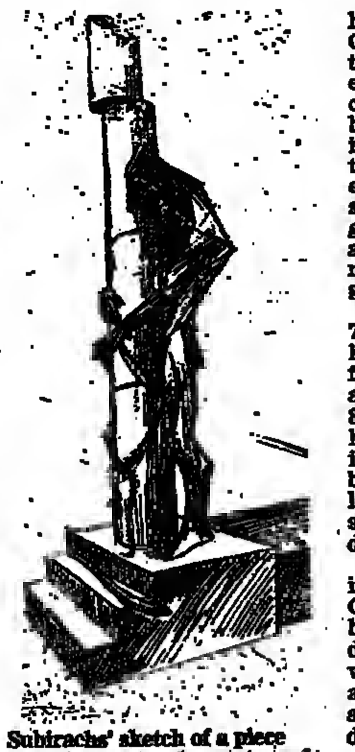
ONE TINY door in the corrugated iron fence that surrounds the building site of the towering Sagrada Familia cathedral in the centre of Barcelona opens into a light, airy, studio.

Its occupant, a small, slightly hunched and bespectacled man is one of Spain's greatest living sculptors, Jose Maria Subirachs, who does not have much time to talk to visitors. For the past three years, Mr Subirachs has been working almost non-stop on more than 100 pieces he has promised to finish for the west facade, depicting Christ's death and resurrection, on Antonio Gaudi's incredible church.

It is agonisingly slow work. About a third of the sculptures are in place. Dotted around the site are others slowly taking shape. "When I get tired of cutting, I do some drawings," says Mr Subirachs, who is 73.

The Sagrada Familia has always demanded everything from the people involved with it. Gaudi, already celebrated for his breathtaking organic apartment blocks and his delightful Parque Guell in Barcelona, was an almost fanatically religious man whose apparently crazed buildings belied his seriousness. He knew he would never see his church completed in his lifetime. It is unlikely to be completed in our lifetime either.

Gaudi was just 32 years old in 1882 when the Catholic authorities sacked the architect who had started building their cathedral and asked him to finish it. The building would, they agreed, be financed by private Catholic donations only, and all the better if the Catholics happened to be Catalan as well. Gaudi stuck broadly to the original architect's positioning of the church but the rest is his.



Subirachs' sketch of a piece of sculpture for the west porch

The building is almost impossible to describe. Gaudi has taken a conventional neo-Gothic model and moulded, twisted and turned almost every straight line. The stark concrete structure has then been painstakingly sculpted inside and out to look something like a half-burned candle encrusted with the wax its has shed. At the moment, only the gigantic east and west facades are standing, their eight 70-100 metre high spires ending in glorious, mosaic flourishes.

By 1926, when Gaudi, then 74, was knocked down and killed by a city tram, he had finished the east front. A huge anonymous donation — Pta 800,000 — in 1890 encouraged him to build from the outside inwards and he wanted to build the facade to show Barcelona what was possible and to serve as a beacon for further donations.

But the cathedral also inflamed political passions in Catalonia. The right wanted building to continue when he died; the left, mainly anarchist, wanted it torn down. In 1936, at the start of the Civil War, anarchists burned Gaudi's studio and destroyed the large model he used to help builders follow his complicated ideas.

The moulds for the model survived, though, the most critical being those for special columns he designed for the central nave. Gaudi, by bending the columns inwards at their tops to support the lateral push of the roof against the outside walls, claimed to have found a way around the flying or static buttresses that had been a mainstay of Gothic church architecture.

Nevertheless, it was not until 1952 that work finally began in earnest on the west facade and it has still not finished. And though there are still voices on the left who argue that building should stop, Barcelona's architectural establishment disagrees.

"People have finished more difficult buildings," says Mr Joan Margarit, a lecturer at the city's architectural school, "and the fact that it is still being built is part of its attraction."

It is a testimony to Gaudi's genius, in fact, that work goes on at all. Because, behind the fluid design, the flourishes and the quite religious exuberance of the place, lay, according to his admirers, one of the great geometric minds of his time. "There is not a single ungeometric line in the Sagrada Familia," says Mr Margarit.

Mr Jordi Bonet, the architect currently under commission to complete the work, agrees. "Gaudi was determined to give his intuitions geometric form," he says. "He knew he would not finish the cathedral and by making his design conform to geometric principles he was trying to help his successors. He never improvised."

It will take, Mr Bonet guesses, 10 years to complete the nave. Luckily 1988 was a bumper year for donations — Pta 300m (£1.56m) poured into the project's coffers and between November 1988 and February this year — and the

The west and east facades of the cathedral

50 or so people who work on the site had dug foundations to a combined depth of nearly 2km. By the end of this year six stone columns between 12 and 15 metres high will be in place.

There are still 14 columns to go. Their organic design has forced the builders to look outside Spain for a computer-controlled stone-cutting machine that can reproduce all the intricate columns exactly (they found one in the Netherlands) but it is still a slow process.

Mr Subirachs says he only agreed to take on the west facade because he was allowed to cut his own designs and not follow Gaudi's drawings. "I can't finish it imitating Gaudi," he says. "I'm doing my own sculptures. Of course I am following the theme, but imitations are always bad."

Even if the nave is finished by 2000, the south facade and the hardest part, the main spire, are still to come. Topped by a giant golden crucifix, the central spire will one day rise more than 70 metres above the present towers, dwarfing the mighty concrete eruption that already dominates Barcelona's skyline.

The final spire, as Gaudi drew it, defies imagination. No-one now working on the cathedral will ever see it built, but that does not depress Mr Bonet. "Less money has been spent on this building than it costs to buy two F-16 jet fighters," he says.

And anyway, adds Mr Margarit, "no-one is in a hurry."

Italian political logjam shows signs of breaking up

ITALY'S Prime Minister-designate, Mr Ciriaco De Mita, won a brief extension of his mandate yesterday after signs of an unexpected breakthrough in the 47-day government crisis, Reuter reports from Rome.

The Christian Democrat Mr De Mita, whose first government collapsed on May 19, met President Francesco Cossiga to explain his difficulties forming a coalition and told him it would be possible soon to establish whether the crisis could be overcome. No other details were given but officials said he was expected to tell the President by Saturday at the latest whether he could form a Government.

Parliamentary sources said that after a meeting late on Tuesday between Mr De Mita and Mr Bettino Craxi, the Socialist leader and key figure in the crisis, it looked as if the squabbling five-party coalition that has ruled Italy for six years might be patched up.

Mr Craxi holds the whip hand because his party controls the effective balance of power, despite being less than half the size of the dominant Christian Democrats (DC). So far, however, he has rejected a revival of the coalition on the grounds that two of its junior members (Republicans and Liberals) formed an alliance with the maverick Radical party during last month's European elections which was hostile to the Socialists.

He Craxi has demanded a public repudiation of the Radicals as the price for entering a government.

Brussels wants red tape cut for trucks at borders

By David Buchan in Brussels

THE LONG lines of trucks at frontiers between European Community countries could virtually disappear next year, if member states were to follow a new tax fraud control system proposed by the European Commission yesterday.

It wants to abolish from next year the system whereby every driver has to lodge a transit notice each time he crosses an internal EC frontier. Value added taxes, whose rates still differ widely, are levied on a consignment at the rate prevailing in the country of destination. By means of these transit notices, customs services can track where and when consignments go astray — usually to avoid tax — and levy the right rate of VAT regardless.

The Commission is proposing that truck drivers should be relieved of filling in a total of some 10m pieces of paper a year. If a cargo disappears in a tax fraud, the Commission suggests, there should be a presumption that the incident took place in the country of the cargo's departure or, in the case of non-EC goods, of the country where the cargo entered the EC. The country where the fraud was committed would get the tax, but, as a new penalty for dishonest shippers, at the highest rate applicable to the goods anywhere in the EC.

Even if the proposals gets member state approval, trucks would still be subject to random checks for food health and safety reasons.

At the same time, the Commission proposes sharp progressive increases in the value of tax-paid goods which individual travellers are allowed to take from one EC state to another. Its aim is to stimulate cross-frontier shopping, and by this means put pressure on member states to bring their VAT rates closer. This accords more with the UK preference for market forces, rather than regulation from Brussels, to harmonise VAT rates.

Allowances on tax-paid goods would rise from Ecu390 (£253) at present to Ecu800 at the start of next year, to Ecu1,200 at the start of 1991, and finally to Ecu1,600 at the start of 1992 — until a year later, with the intended abolition of all fiscal frontiers, they are supposed to disappear.

OVERSEAS NEWS

Sihanouk says talks with Vietnam 'have collapsed'

By Lindsay Murdoch in Peking

PEACE negotiations between the Vietnamese-installed Phnom Penh regime and the Cambodian resistance have "totally collapsed," Prince Norodom Sihanouk, the resistance leader, said yesterday.

Prince Sihanouk said that he could no longer plan to return to Phnom Penh as head of state by November and predicted full-scale war for Cambodia after September 30, the date set by Vietnam for the withdrawal of the last of its troops from the country.

"There is no way to stop the war against Vietnam," he said. "There will not be a civil war. There will be a continuation of the war against Vietnam's colonialism."

Prince Sihanouk said in Peking that Mr Hun Sen, the Vietnamese-backed Prime Minister of the current Phnom Penh regime, wanted him to return as a "puppet in the hands of his party. I refuse definitely."

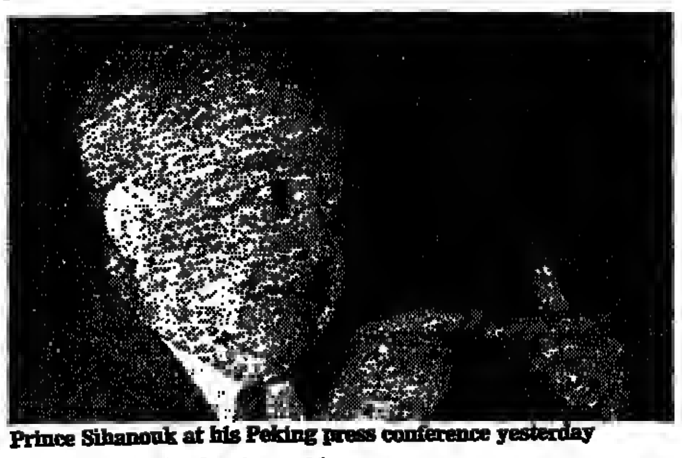
Prince Sihanouk said the demands of the Hun Sen regime meant that there could be no agreement at during peace talks set for Paris later this month.

Prince Sihanouk also said that Vietnam was attempting to deceive the world by claiming that it will withdraw the last of its troops from Cambodia by the end of September. He claimed to have information that Vietnam planned to keep more than 30,000 Vietnamese soldiers inside Cambodia disguised as Khmer soldiers, technicians and advisers, about 100,000 militiamen disguised as Khmers in villages, districts and provinces and about 1m Vietnamese settlers who were illegal immigrants.

"We will continue to fight the Vietnamese until they are all out of Cambodia," he said. "We will have the immense support of the Cambodian people. Prince Sihanouk – who often changes his negotiating stand – backed away from strongly attacking his resistance partner, the Khmer Rouge, as he had done in recent public appearances. Senior members of the Khmer Rouge listened as Prince Sihanouk made his comments.

The Prince said the collapse of the negotiations with Mr Hun Sen meant that he had to reverse his statement made in Jakarta on May 2 that he could return to Phnom Penh.

"I refuse to co-operate with Hun Sen on a bilateral basis," he said. Prince Sihanouk, deposed as Cambodian ruler in 1970, said he believed that after September 30, China would continue to offer to supply arms to the resistance factions, but that Thailand would probably close its frontiers so that the supplies could not be sent.



Prince Sihanouk at his Peking press conference yesterday

China has said that it would stop supplying military aid to the Khmer Rouge and to non-Communist resistance factions if Vietnam withdrew all of its troops from Cambodia. Prince Sihanouk's comment appeared to indicate that China will be prepared to keep up the arms shipments after that date.

"China will definitely be on the side of the National Resistance of Cambodia," Prince Sihanouk said. He added said that if arms were unable to reach resistance soldiers inside Cambodia because Thailand closed its frontiers, then China would supply hard currency "which will allow us to buy the things we need inside Cambodia."

Prince Sihanouk said he was not optimistic that a round table session between Mr Hun Sen and the leaders of his three-faction resistance, scheduled for late July in Paris, would reach agreement. He also said he was not optimistic about the outcome of an international conference on Cambodia to be held in Paris during August. "But we have a duty to participate," he said.

The Prince named Australia as one of the conference participants. He said there was disagreement between Vietnam and his resistance on which countries should attend the conference, but also named the six non-Communist countries of the Association of South East Asian Nations (Asean).

Prince Sihanouk, in an apparent attempt to shore up his support from Asean nations, which have been meeting in Brunei, said that his army had not and would not receive "lethal assistance" from the US. He said "foreign personalities" attempting to disadvantage his faction were stepping up their criticism of the "so-called intention of the United States of America to grant . . . military assistance."

The Bush Administration last month acknowledged that it could not win congressional support for its proposal to arm Cambodia's non-communist resistance. An Administration official said that President George Bush would find other ways to show his support for the non-communist resistance forces.

Prince Sihanouk said yesterday: "There is no lethal US aid so I ask those personalities of Asean countries to concentrate on the sending of lethal aid from the USSR through Vietnam to Hun Sen's army." Prince Sihanouk said that he could not suggest amendments to a constitution drawn up by the Hun Sen regime as he had promised in May.

He said despite changes made by Mr Hun Sen that included a new flag, an opening of the economy and the declaring of Buddhism as the State religion, the constitution remained Communist. "It is unacceptable. We want a liberal democracy. We want the head of state elected by the people to remain in office for seven years," he said.

Prince Sihanouk said Mr Hun Sen was refusing to consider dismantling his regime so that a quadripartite Government could be formed. Prince Sihanouk in May had softened his demands on the dismantling, saying that the Hun Sen constitution might be acceptable if changes were made to allow a multi-party system.

Prince Sihanouk said that his resistance and Vietnam were also in dispute on the establishment of a United Nations peace keeping force and the involvement of the UN in the Paris conference. He said his resistance rejected a demand made by Vietnam that the Cambodian seat occupied by the resistance in the United Nations be vacated.

"I am always hopeful but I can see no way for the resistance and Hun Sen to come to agreement in Paris," Prince Sihanouk said. Prince Sihanouk said that be would attend the Cambodian faction talks and international conference in Paris as an observer and would be represented by his son.

Hong Kong plans Bill of Rights

By Philip Stephens, Political Editor

A NEW Bill of Rights is to be introduced by the Hong Kong Government to entrench essential freedoms in the colony before its transfer to China in 1997.

Sir Geoffrey Howe, Britain's Foreign Secretary, said yesterday that the Bill would be among a number of measures designed to protect Hong Kong's freedoms after last month's suppression by the Chinese Government of student demonstrations in Peking.

The colony's Government, which signalled its intention to draw up such a document at a meeting yesterday of its Legislative Council, planned to introduce it "as soon as possible", he added.

Speaking after his return from Hong Kong, Sir Geoffrey reaffirmed that Britain would be looking carefully at proposals to speed the rate of progress towards representative government. The pace, however, would continue to be dictated by the wishes of the colony's people.

Sir Geoffrey also indicated that Britain would take up directly with the Chinese Government two issues of special concern in the colony.

These were Article 18 of the draft Basic Law, which could allow the Peking Government to declare a state of emergency in the colony after 1997 and the question of the stationing in Hong Kong of Chinese military forces.

Chinese grasp Tongan connection

By Robert Thomson in Tokyo

IN THE exodus of political activists and other Chinese with connections to purged reformers in the leadership, the tiny Pacific kingdom of Tonga has played an improbably important role. For those monied or influential enough, the Tongan connection has been a passport to freedom.

After fleeing to Hong Kong in the past month, dozens of Chinese have flown via Tokyo and Fiji to Tonga. Japanese immigration officials, who have been studying the flow and interviewing some of the passengers, say that the Chinese have passed through Tokyo with People's Republic of China passports and returned with Tongan passports, which have apparently been arranged long ago in case of political emergency.

Japanese officials identified 46 such cases in the month after the June 4 crushing of the pro-democracy movement in Tiananmen Square, and believe that many more Chinese have transitted through Tokyo airport to Tonga. Among those interviewed in Tokyo was a woman who claimed to be a relative of the purged Communist Party chief, Zhao Ziyang, and reliable sources say that another close Zhao relative is now the holder of a Tongan passport.

"It is very unusual. We have not seen anything like this before. It started after the incident in Tiananmen," a Japanese immigration official said. "They appear to be very well educated people. They are not factory workers."

The Tongan passports, ostensibly issued to foreigners living in the kingdom, allow the refugee Chinese to leave and enter Hong Kong at will, and to stay longer in the territory than the one week limit imposed on Chinese passport holders without resident status. Hong Kong is an ideal base for dissidents and business people who have fled the mainland.

A Fiji embassy official in Tokyo said that his government had noticed the unusually large number of Chinese who had sought transit visas en route to Tonga, but did not know why they were going there. "It was a surprise for us. We have never seen so many Chinese going to Tonga," he said.

The flexibility offered by a Tongan passport does not come cheap, and so must have been bought by privileged Chinese or business people who prospered during the economic reform programme.

It has been well known in China that a Tongan passport could be arranged in the southern Chinese city of Guangzhou (Canton), and Bolivian passports have also reportedly been for sale. Middle-men have apparently been taking a large cut above the cost of a Tongan passport.

UK business under fire over trade ties

By Peter Montagnon, World Trade Editor, in London

BRITISH BUSINESS is coming under pressure from politicians to curtail its trade promotion activity in China in the wake of the Tiananmen Square massacre.

Mr Paddy Ashdown, leader of the Democrats opposition party, yesterday described plans for two top-level trade delegations to visit Peking this autumn as "ill-timed."

"This is bound to be seen as a slap in the face for the democracy movement and the people of Hong Kong. The Government should make sure that they make no back-up support to these delegations," Mr Ashdown said in a statement.

The two missions are being organised by the Sino-British Trade Council, a privately-sponsored group which advises the Department of Trade and Industry on trade opportunities, and by the so-called 48 Group of companies with long-established trade links with China.

The Sino-British Trade Council was unstaffed yesterday because of a nationwide transport strike in the UK, but it is understood not to have made a final decision on whether to go ahead with its mission which is due to be led by Sir Eric Sharp, the Chairman of Cable and Wireless.

Mr Percy Timberlake, consultant to the 48 Group, said its mission would go ahead. One consideration which led to this decision was the speed with which business in other countries, notably Japan, resumed its China trade after the massacre.

However, Sir Trevor Holdsworth, Chairman of the Confederation of British Industry, has delayed a decision on whether he will lead the mission. Mr Timberlake also said that the 48 Group had been told by the Government that it was not currently willing to offer China soft loans and other concessionary finance to back up any sales.

A spokesman for the Department of Trade and Industry said there was no pressure from Government to stop the missions, despite Mr Ashdown's criticisms. "We see good reason for not breaking normal commercial links with China," he said.

UK trade with China is still relatively small with exports last year totalling just £413m ($650.3m), giving China a surplus of £32m in bilateral trade.

Japan's trust banks look to the land

Stefan Wagstyl reports on a booming business fuelled by rising property values

WHAT does a Japanese with a Y1bn (£4.5m) plot of land in central Tokyo and no money do? He might sell it, pay a pile of taxes and incur the wrath of his parents for disposing of the family heritage.

Increasingly, however, he might establish a land trust with the help of a trust bank. This neat package enables a landowner to hand over to the bank the use of his land for 20 years. The bank provides loans to erect a building, manages the construction, and then collects rent on the owner's behalf – after charging an appropriate fee.

The first contract was signed only in 1984. But since then the market has grown rapidly with 1,109 contracts signed in the year to March, 75 per cent more than in the previous year. The size of the developments have also grown rapidly from those where the building costs are under Y1bn to complexes of shops and offices costing Y30bn to construct.

The principle is not unique to Japan – in other industrialised countries, property companies often develop land on behalf of other people, both institutions and individuals. But it is rare for banks to play a central role in the way that trust banks do in Japan. "As far I know, It's unique to Japan," says Mr David Threadgold, an analyst at County Natwest Japan.

The idea was pioneered in Japan by Sumitomo Trust & Banking, the second-largest Japanese trust bank. Sumitomo judged that rising land values in Japanese cities were increasing pressure on owners to develop unused plots of land partly to earn income and partly to avoid taxes. Japan has a 1.7 per cent a year tax on the capital value of vacant land to encourage development.

TRUST BANKS AND LAND TRUSTS

	No. of contracts in 1988-89	% increase over1987-88
Sumitomo	205	31
Mitsubishi	187	97
Mitsui	185	39
Yasuda	159	43
Toyo	166	106
Chuo	96	55
Nihon	62	68
Daiwa Bank	49	–
TOTAL	1109	75

Source: Sumitomo Trust & Banking

Sumitomo presented its plan to the Ministry of Finance, which might once have frowned on the idea of a financial institution engaging in such a radical innovation. But the onset of liberalisation in the 1980s had made the ministry more flexible – so it gave its permission and Sumitomo went ahead. Its first deal was carried out with another company in the Sumitomo grouping – Sumitomo Metal, on a site in Shiba, central Tokyo.

"Sumitomo came first in researching the new product and then finding its way through the regulations," says Mr Ryu Uzaki, a managing director of Sumitomo.

Other trust banks quickly entered the market. Like Sumitomo they were well placed to develop land trusts because of their existing skills in real estate development and in banking. The new market met one of the trust banks' key needs – property development was an attractive way of investing the large funds at their disposal.

Nevertheless, Sumitomo retained its lead. In the year to last March it completed 205 land trust contracts, against 187 for second-placed Mitsubishi Trust & Banking, Japan's largest trust bank.

Mr Uzaki says, however, that numbers alone are not important. A few large contracts are more profitable than a large number of small ones. Sumitomo hopes to sign its biggest deal to date soon – a shopping, housing and office complex worth Y30bn-Y40bn in a site owned by Sumitomo Bakelite at Mukojima in Tokyo.

Trust banks are all particularly keen to develop the public sector market where large contracts abound. A change in the law in 1986 enabled public authorities to sign land trusts for the first time. So far about 20 contracts have been signed, worth an estimated Y200bn in construction costs.

Cash-strapped local authorities have been the most active clients, but the central government has recently also recently signed its first agreements.

Mr Uzaki expects to keep signing contracts at the present rate, though the size of each one could continue to grow. The business is not yet contributing to profits because many projects are still in their early stages.

The market is so attractive that trust banks' big worry is that other financial institutions will elbow their way into it. Chief among them are commercial banks, anxious to extend the scope of their activities. They are currently unable to handle real estate transactions because of Japanese law separating the business of different kinds of financial company. But there are growing signs that such barriers will be lowered.

To prepare for that day, Hokkaido Takushoku Bank and Sumitomo Bank recently agreed to send trainees to Toyo Trust & Banking and to Japan Bankers Trust, the Japan affiliate of Bankers Trust of the US.

Uno takes a tentative step on the campaign trail

By Stefan Wagstyl in Tokyo

JAPAN'S ruling party opened its campaign yesterday for the first national election in three years with a frank admission from Mr Sousuke Uno, the Prime Minister.

"I know we are sailing against the winds," he told a rally outside the Liberal Democratic Party's Tokyo headquarters. "By the winds I mean Recruit etc, etc, etc."

The party is fighting to retain control of the Diet's upper house in elections which will take place on July 23. As well as its involvement in the Recruit financial affair, it has been damaged by the introduction of an unpopular consumption tax and by a sex scandal concerning Mr Uno.

Mr Uno is likely to keep a low profile for the rest of the campaign – the party has cancelled plans for the scandal-ridden Prime Minister to go on a national tour, for fear that he will repel more votes than he attracts.

By contrast, Mr Uno's main opponent, Mrs Takako Doi, chairman of the Japan Socialist Party, which is spearheading the drive against the LDP, started her campaign as aggressively as she plans to continue. "If we all work together it will be possible to eliminate tha LDP (upper house) majority," she said. Mrs Doi yesterday clocked up 400 km on the campaign trail against Mr Uno's 1 km.

The upper house is less powerful than the Diet's lower house but does have the right to review legislation. Half the 252 seats are at stake in this poll. Of these 69 are held by the LDP. The party needs to retain 54 to keep its overall majority. Even LDP supporters concede it will he hard put to win 50. If their forecasts are correct, the LDP would have to seek an alliance with opposition parties.

The ruling party's fears have been reinforced by the losses it suffered earlier this week in municipal elections in Tokyo, where the Socialists emerged triumphant as the largest opposition party.

The belief that the upper house election might change the shape of national politics has injected great zest into the campaign. A record 40 parties have registered a total of 670 candidates for the poll. Some 30 are mini-parties, ranging from the Sunshine Party to the Sports and Peace Party, headed by a professional wrestler.

The mini-parties were out in force yesterday, trying to make the most of the television coverage which accompanied the opening day of campaigning. The Salaryman Party proclaimed its opposition to consumption tax outside the Ministry of Finance. Opponents of nuclear power demonstrated outside the beadquarters of electric power companies.

For the major parties, the key issue is the LDP'e ability to convince voters that it is serious about reforming fund-raising in Japanese politics. Close behind is tax. The LDP has pledged to review the consumption tax – meaning that it might limit its scope. The opposition parties, including the Socialists, have mostly pledged to abolish it.

In addition, the LDP is under attack from farmers, some of its staunchest supporters, over the liberalisation of agricultural imports.

Australian reserve bank chief picked

By Chris Sherwell in Sydney

MR Bernie Fraser, 48-year-old Secretary of Australia's Treasury Department, is to be the new governor of the country's Reserve Bank, it was confirmed yesterday.

A statement from Mr Paul Keating, the Treasurer, said be was recommending to the Governor-General that Mr Fraser replace Mr Bob Johnston, who retires at the end of his seven-year term on July 18, aged 65.

Mr Fraser's position at the Treasury is to be taken by Dr Chris Higgins, currently a deputy secretary in the department. Both appointments are to take effect from September 18.

Debate over Mr Fraser's appointment has intensified ever since it was first mooted in February. Attention has focused on whether the bank might be weakened as a source of independent advice under an "outsider" so closely associated with Mr Keating's economic policies.

Mr Fraser was appointed Secretary of the Treasury in September 1984. In the department for most of the past 25 years, he took over the top job from the controversial Mr John Stone, now a National Party Senator.

Dr Higgins has been with the Treasury since 1969, when he moved from the Bureau of Statistics. He is widely respected and he has also spent a period with the OECD in Paris.

Mr Keating yesterday paid tribute to Mr Johnston as "a key figure in directing and managing this historic period" of internationalisation and deregulation.

Under him, Mr Keating said, the bank had earned a well-deserved and good repntation with the financial markets for the conduct of its market operations, for fair and open dealing and for professional thoroughness.

S African black miners agree to wage rises

By Jim Jones in Johannesburg

SOUTH AFRICA'S all-black National Union of Mineworkers (NUM) has agreed to wage increases ranging from 13.5 per cent to 21.3 per cent offered by the country's gold and coal mine owners.

The agreement, which covers about 500,000 men, came one week after the union'e members had voted overwhelmingly to reject a "negotiable" offer of 11 per cent from the Chamber of Mines, the employers' negotiating body.

In April the union had laid the ground for talks with a demand for increases which would have almost donbled lifted the wages of the lowest paid to R543 ($196) a month.

The union has been under considerable pressure to moderate its demands and accept increases lower than the current 15 per cent inflation rate.

At present gold prices well over a dozen gold mines are suffering operating losses and eeveral hava retrenehad heavily to cut costs. In contrast coal mine profits are healthy.

Mr Cyril Ramaphosa, the general secretary, expressed satisfaction with tha negotiated increases but said that a unified wage structure was need for the industry.

Anglo American and Johannesburg Consolidated Investment (JCI) pay significantly higher minimum wages than other mining houses, while Gold Fields of South Africa (GFSA), the affiliate of Consolidated Gold Fields, pays considerably less.

The NUM is scarcely represented on the mines managed by GFSA and, Mr Ramaphosa says, the union will now concentrate ou organising on mines where it is weak.

Once that is done emphasis will be placed on bringing wages paid by the various mining groups into line with each other.

Canberra defence staff face wide-ranging cuts

By Chris Sherwell

AUSTRALIA'S armed forces and the defence ministry, long criticised for being top-heavy with desk-bound officers and bureaucrats, are being streamlined in a restructuring announced yesterday.

Of some 800 Canberra-based senior officer positions, some 120, or 15 per cent, are to be abolished by February 1991. The posts include ranks ranging from the equivalent of lieutenant colonel to major general across all three services.

A reduction of 300 positions, or more than 10 per cent, will also be imposed in the number of Canberra-based civilian staff in the next year. This includes 17 positions in the Department of Defence's senior executive ranks (branch head to deputy secretary).

Mr Kim Beazley, Defence Minister, said the changes would "improve and streamline the whole process of doing defence business.

Ou the military side, the restructuring is expected to bring significant structural efficiencies. Snbstantial pay rises will be sought for senior officers, so giving them more challenging and better paid jobs. The reductions are to be achieved through natural wastage and by offering redundancy packages.

The civilian reductions come on top of cuts made outside Canberra. Since January 1984, the number of civilians in the Department of Defence has dropped from 40,200 to 25,300.

Altogetber Australia's defence force personnel number about 70,000 of which about 32,000 are in the army, 22,000 in the air force and 16,000 in the navy.

Tehran continues its long summer of mourning

By Kamran Fazel in Tehran

ANYONE who thought that the commotion surrounding the death of Ayatollah Khomeini had faded after the leader's tumultuous funeral had better think again.

Tens of thousands of Iranians are still making their way to the Ayatollah's grave, which is being turned into Iran's newest shrine. Since the funeral a nearby camp built for Iraqi prisouers of war has been taken over and transformed into a makeshift canteen to provide free meals for the visitors 20km west of Tehran.

Government organisations such as the Martyrs Foundation are also sending donations of food and scarce household goods to be distributed free among the faithful.

Condolences continue on Iranian radio and TV. Ministries have been snb-divided into smaller units to handle the distributions. Even small units of the army from remote areas are bused in for this purpose, and none of their tributes goes unreported.

There is more to come. Work at the graveside preparing the site for another mass demonstration of grief on July 13, the 40th day after Khomeini's death.

Government employees around the nation are being given free plane tickets and hotel accommodation for themselves and their families to take part in the occasion, known as the "Arbain."

Another virtual pilgrimage site these days is at Jamaran in north Tehran, where the Khomeini family lived. The Ayatollah's son flies there each day by helicopter to greet the hordes of pilgrims. Here, too, the visitors are well looked after – fed on chicken, rice and sweet drinks in the cool alleys around Jamaran.

It is all something of a relief from the rigours of daily life to Tehran, which is suffering power cuts of three to six hours a day, an increasingly severe water shortage, continuing inflation and the hottest summer in 19 years.

Australia reassures Asean

By Peter Ungphakorn in Bandar Seri Begawan

MR GARETH EVANS, the Australian Foreign and Trade Minister, yesterday reassured south-east Asian countries they would not be dominated by the US and Japan if they agreed to participate in Pacific Rim economic co-operation.

He was speaking after his arrival in Brunei for talks with foreign ministers of the six-member Association of South-East Asian Nations (Asean), in which the proposal for setting up a regional organisation will feature prominently.

One of the possible forms of Asia-Pacific co-operation could be an upgraded version of the regular consultations Asean's foreign ministers have with their industrialised allies.

That is the form Asean's members appear to favour in order to avoid being dominated by two of the world's largest economies. But they have not seriously discussed the Australian proposal and they say they want to find out more.

Indian Airlines to lift fares by up to 30 per cent

By K.K. Sharma in New Delhi

INDIAN Airlines, tba state-owned monopoly domestic carrier, announced yesterday that fares would be raised from between 20 to 30 per cent from July 9.

Angry air travellers' organisations are planning a protest against the higher fares. They argue the rises are not justified by the service provided.

The increase, tbe largest ever, is meant partly to meet the cost of buying new aircraft like the Airbus A-300, 31 of which are now on order to serve hard-pressed trunk routes.

When the new Airbuses, the first two of which arrived this week, are made operational by 1992 at a cost of $2.5bn, the Indian Airlines fleet have more than 90 aircraft, including Boeing 437s and turboprop planes. The airline hopes to raise funds for the aircraft by providing more seats for foreign tourists and seeking commercial loans abroad.

The government carrier has been under severe attack recently becanse of a rapid daterioration in services, delayed flights, poor productivity worsened by a pilot shortage, and accidents thought to be due to poor maintenance.

The airline is also facing higher operational costs due to raised fuel and navigational charges but says the higher fares will help to meet these. Other plans to increase profitability include greater productivity and lowering costs.

● A sbipment of chamicals used to make lethal mustard gas that the West German Government says is destined for Iran, has left India for Dubai, the United News of India said yesterday, Reuter reports from Delhi.

A spokesman for Transpek Industries in Bombay told the news agency 120 tonnes of thionyl chloride was sent to the Sbatab General Trading company in Dubai on a West German ship. The Sea Crest Pioneer sailed from Bombay on June 26 with the shipment and was due back on Thursday.

OVERSEAS NEWS

Tribal bonds and brigandry on the lawless frontiers of the Afridis

Christina Lamb observes territorial claims, social customs and contraband dealings among the tribes of the Khyber Pass

IT IS said that if you find a snake and an Afridi in your bedroom, you should kill the Afridi first.

Spread across both sides of the Pakistan-Afghan border, the 600,000 Afridis live in a land where, even today, government has no authority. Since the days of the Raj, the Afridis have guarded the Khyber Pass in return for money and the freedom to collect protection money and raid caravans on what was once the main route between Kabul and Delhi.

As part of the Great Game, British officers played the tribes off against each other, occasionally reminding them who was master with mini-wars, the British taking hostages and razing villages, a practice continued by Pakistan.

Malik Nadyer Khan is an Afridi chief. A small, dapper man in his late 50s, in his oversized black coat and carring a large black furled umbrella he would not be out of place on a central London Underground line, were it not for the gang of seven Kalashnikov-toting heavies who follow him everywhere.

Inside his crumbling mnd fort, the malik (tribal king) ssrves freshly slaughtered sheep and Russian champagne (courtesy of the Afghan Government cellars), in a dark-wood panelled living room with heavy brocade curtains.

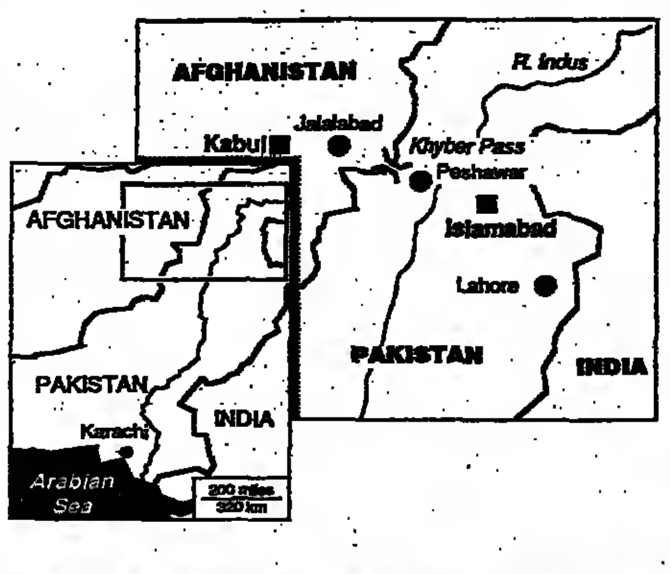
Despite his incongruons appearance, Nadyer Khan is more likely to be found burning down friends' forts than settling down with a cocoa in front of the television.

Since the age of 22, he has controlled the Zakakel tribe. The Zakakhel and Kukikhels are traditionally the most important of the eight Afridi tribes because they control the road and border, the main smuggling route between the two countries.

The fort-lined road along the Khyber Pass was built by the British in 1842 after the First Afghan War as part of their "Forward Policy" to stop the threat of Russian invasion.

To this day government has no authority on either side; customs officers watch helpless as heavily laden smugglers pass by a few feet off the road.

The traditional struggle for supremacy between the Zakakhel and Kukikhel tribes brings in the governments of both Pakistan and Afghanistan, each putting their weight behind sides which change allegiance regularly. Since the



Soviet troops entered Afghanistan in 1979, the stakes have increased.

The tribes have assumed new importance, with Pakistan eager to use Afridi territory for Mujahedin bases while the Kabul regime is anxious to cut off the Mujaheddin's main supply route.

Nadyer Khan's main rival was the top Kukikhel malik, Wali Khan Kukikhel, who died recently. Shortly after partition, of which most Afridis did not approve, Wali Khan fell out with Pakistan. After they bulldozed his village, the Kukikhel malik crossed into Afghanistan. He stayed there till 1962 when President Ayub made peace with him and gave him a seat in parliament.

Nadyer Khan then sided with Afghanistan, joining Ghaffar Khan in the struggle for Pushtunistan, an independent land for the Pushtun tribes of which the Afridis are one of the most powerful. Apparently supported by the Soviet Union, from 1972-4 they took up arms against the Government of Zulfikar Ali Bhutto, father of Pakistan's present Prime Minister.

After the Soviets entered Afghanistan, the Pushtunistan issue was shelved and Nadyer Khan returned to Pakistan. Today, President Najibullah's sister-in-law lives in his house in Kabul and Nadyer Khan knew the family well during the 25 years he spent there. Says Nadyer: "Najib was nothing in those days, he used to clean my shoes."

While Nadyer Khan did a deal with the Pakistanis, Wali Khan Kukikhel took the Afghan side, receiving vast amounts of money and arms to hinder the resistance from operating from the tribal areas. Nadyer Khan says he also took monsy and weapons from Kabul agents but used them against the regime.

For months the road was unsafe with reciprocal kidnappings, but in 1985 President Zia sent in troops to bulldoze Wali Khan's house and paid him handsomely to stop causing problems.

Today the two tribes are pitted against each other over plans to build a road to Tirah, the most inaccessible part of Afridi land. The only westerners that have ever seen it were those abducted. Neither tribe are happy about the Mujahedin attack on Jalalabad.

As part of their attempts to starve the regime, the Mujaheddin have closed the road which they won control of in November, while those smugglers who slip through must pass through areas being bombed by the regime.

The Afridis depend on smuggling for their livelihood paying a small cut to the Pakistani political agent who uses it for his slush fund from which to buy off tribals in order to solve disputes.

In Peshawar, the political agent who cannot enter Afridi land without their permission, is holding a *jirga* (tribal assembly) to solve a dispute over the abduction of a Pakistani child. The British-built wooden jirga hall is crowded with ancient hawk-nosed, bearded men, muttering angrily because the agent has seized some of their people until the matter is settled.

The political agent has also been hit by repercussions of the Jalalabad offensive, the lack of smuggling (the Afridis claim trade has dropped to 15 per cent), hitting his slush fund. He admits: "I have no money to control them."

Nadyer Khan says he receives regular payments from the political agent and his area gets free alectricity as part of government policy to bring the areas under control.

He says that political agents are now more acceptable. "In the past they would never dare come here. In 1956 I was given a transistor radio by the political agent. When ths tribals found out they took it and fired 2,000 shots until it was in tiny pieces."

Relations between maliks and political agents are a continuation of the relations they had with British political agents before Independence. The British gave them power and financial assistance.

Nadyer Khan says: "Maliks were like small kings. It was a salf-propagating system because only maliks could afford to study and the sytem was so strong that it was still continuing when I returned from Kabul in 1979."

Today the influence of maliks is waning because of the influx of drugs and arms. The Afridi area is thought to have more than 100 heroin laboratories, processing poppies grown mostly in Afghanistan, and producing more than half the world's high grade heroin.

This has brought in huge amounts of money to the extent that some forts have marble floors and Jacuzzis and many tribals can afford to send theirsons abroad to study.

The war in Afghanistan has also meant the easy availability of sophisticated weaponry. An Afridi is not considered dressed without his gun and Nadyer Khan first had a pistol at the age of six.

Most forts are now mounted with anti-aircraft guns. According to Nadyer Khan: "Every house has arms but now people have Kalashnikovs and Dashakor instead of .303 bore rifles. If Stingers are available in the market we have them here. Soon we'll have Scuds."

Despite the proliferation of arms, and violent appearance of the Afridis, there are in fact fewer killings than on the streets of New York, the system of feuds acting as a deterrent.

Explains Nadyer Khan: "It is an eye for an eye and Afridis always take revenge. I won't dare kill because then for the rest of my life I will be in danger and my family will always be. If your brother kills mine, *it is my duty to kill someone* in your family. If I can't kill your brother, I kill you, then your brother must kill me."

Despite the wild atmosphere, the tribal areas are run very democratically, on the lines of Athenian democracy. Jirgas are held to solve disputes with both parties and other tribals participating.

There can be as many as 5,000 people and go on for weeks, even months, until consensus is reached. While the jirga is in process, a peace accord is made, called "putting a stone" or *tiga*. If this or the decision of the jirga is broken, the tribe burn down the offender's fort and kill his animals, dividing the loot between them and he must leave the tribe until he apologises.

Nadyer Khan frequently has to supervise such breaches of tribal law. "Last week I burnt my best friend's fort because the jirga ruled that his son had stolen a car, but his son had run away. Now he's apologised and I'm helping him rebuild it."

Nadyer Khan, malik of the Zakakel tribe, holding his large black umbrella as he poses for a picture with his bodyguards in the not too distant background. The Zakakhel and Kukikhels are traditionally the most important of the eight Afridi tribes because they control the road and border along the Khyber Pass, the main smuggling route between Afghanistan and Pakistan

Afghan rebels in strong military position, new US envoy says

By Christina Lamb in Islamabad

MR PETER Tomsen, the newly appointed US envoy to the Afghan Mujahedin, has insisted that – despite reports to the contrary – the guerrillas have improved their position since the Soviet troops pulled out of the country in February. "We still believe the resistance will prevail militarily," he said, but added that "the major fighting is to come."

Shortly after arriving in Islamabad, Mr Tomsen said that "the situation has continued to favour the Mujahedin. The regime's position has weakened, even at Jalalabad. Everywhere the regime are on the defensive."

Mr Tomsen admitted, however, that "what was expected at Jalalabad did not occur." The Mujahedin attack on Jalalabad, Afghanistan's third largest town, began on March 6 and after initial success, has reached a bloody stalemate, the regime managing to keep open the Kabul-Jalalabad road, their main supply route.

Mr Tomsen attributes this to problems the Mujahedin encountered in their shift from the hit-and-run tactics of guerrilla warfare to the setpiece battle needed to take a well-entrenched town. "There has been a lull while they adjust to this," he said.

Mr Tomsen, who will shuttle between Washington and Pakistan, where most of the resistance officials are based, will focus his attention on the Afghan interim government. He describes his appointment as "a step towards recognition."

Many members of the resistance do not accept the interim government and are angered by Mr Tomsen's posting, although others see it as a sign that US support will continue.

Mr Tomsen calls the interim government "the most important element of the resistance." Created in February, it has yet to be much more than a paper concept. To date it has failed to broaden its base to include the participation of technocrats or Iran-based resistance groups and has also not managed to set up ministries – the Finance Ministry still operates out of a Peshawar hotel with no cheque book. A Western diplomat commented that "even the ministers don't take it seriously."

Mr Tomsen himself admitted the limitations of the government when he said: "We hope to funnel as much aid as possible to the interim government, but at present its absorbative capacity is not great."

Every evening at 6.15, which the Mujahedin refer to as "Geneva Time," after the closure of the United Nations offices which monitor the supply of arms, large convoys of US-supplied weapons have been pouring across the border. This is in preparation for an expected countrywide offensive and Mr Tomsen insisted there would be no deal with Moscow to stop arms supplies.

WORLD TRADE NEWS

Peking rebuffed in attempt to join Gatt

By William Dullforce in Geneva

CHINA'S application to rejoin the General Agreement on Tariffs and Trade has been put on hold, following the government's brutal crushing of the student protest movement last month.

Next week's meeting of the Gatt working party, which has been examining Peking's request, has been postponed without any new date being set.

"The general view among the participants was that in the present circumstances the working party was unlikely to be able to make any progress," said Mr David Woods, Gatt's spokesman. However Gatt did not intend the postponement to be seen as a sanction against the Peking government, he said.

Three reasons for the postponement were voiced by heads of delegations to Gatt. First, many of the participants would have felt obliged to make political statements on the current situation in China, whereas by tradition politics are kept out of Gatt.

Second, China's assurances that its economic reforms were moving it towards a market-oriented regime compatible with Gatt now lacked credibility. The European Community and the US had earlier raised questions about the speed and effectiveness of the reforms.

Third, the US Congress was in no mood to allow Chinese exports the unconditional "most favoured nation" tariff treatment which would be needed in the next phase of the negotiations.

The Gatt working party had completed its assessment of China's trading regime and was due to start next week drafting a protocol of accession to the world trade organisation. This would have entailed the Chinese team entering detailed give-and-take bilateral discussions with other Gatt countries. China quit Gatt in 1950 after the Communists took power. It re-applied for membership in 1986 after the "open door" economic policy of Deng Xiaoping, the Chinese leader, was well into its stride.

Donors struggle to agree soft loan totals for IDA

By Hilary Barnes in Copenhagen

NEGOTIATIONS for the replenishment of the funds of the International Development Agency will enter a crucial stage at a meeting of senior officials from donor countries in Copenhagen today and tomorrow.

Donors will be expected to name figures which they are prepared to give over the next two days. There is broad agreement that contributions should be at least as much this time, said officials. Not a few donors want to see a significant increase but others, including the US, are under severe budgetary restraints.

The IDA, the affiliate of the World Bank which provides soft loans to the world's poorest countries, is financed by donations given for a three-year period. The current negotiations, covering the ninth replenishment of funds, is due for completion at the end of this year to cover the period from July 1, 1990.

The figure to beat is $11.5bn, the amount donated for 1987-90. This was an increase of $2.5bn, or 27 per cent, on the seventh replenishment.

The US currently contributes $2.87bn, or 25 per cent of the total, and Japan $2.15bn, or 18.7 per cent. Others are Germany, $1.22bn, France, $838m and the UK $770m.

Apart from contibutions another major issue which has to be thrashed out is the regional allocation of project finance. Africa is receiving about 50 per cent of IDA credits at present, but Asian donors, especially Japan, are anxious to see a bigger share for the poorest Asian countries.

Many donors will resist a reallocation of shares if it means that less money will be available for sub-Sahara.

Olivetti wins £219m automation contract

By Alan Cane

OLIVETTI, the Italian office equipment and computer manufacturer has won one of the single largest contracts for banking automation systems ever awarded.

It announced yesterday that the Dutch Rabobank group, based in Utrecht and ranked 30th in the world, had placed an order worth Fl 750m guilders (£219m) for a substantial network of minicomputers and personal computers.

The Rabobank group comprises some 900 banks with 2,200 branches. The order involves 2,000 Olivetti LSX minicomputers, 25,000 Olivetti PBs (personal computers optimised for business use) together with local area networking systems to provide the communications between the computers and consultancy.

Olivetti is second only to Siemens among indigenous suppliers of information technology systems in Europe and one of the world's top 10 computing systems suppliers. It has steadily been building up its business in the financial sector with a special emphasis on savings banks and, in the UK, building societies.

Mr Carlo de Benedetti, Olivetti chairman, said yesterday the order reflected confidence in the quality of Olivetti's financial products and in its commitment to "open systems" which obey industry rules to allow equipment from different manufacturers easily to be connected together.

Olivetti has already this year agreed to exchange technology with Digital Equipment of the US, the world's second largest computer manufacturer, to allow the integration of Olivetti personal computers into Digital networks. In April this year, Olivetti signed a deal to supply Digital with personal computers for European distribution.

The Rabobank deal is an indication of the world-wide trend to a "third wave" of banking automation where personal computers and branch automation equipment are being used to free bank staff from routine tasks and enable them to give customers a more personal service.

Arab world enjoys forbidden Israeli fruits

Laura Blumenfeld reports on the illicit trade between sworn enemies in the Middle East

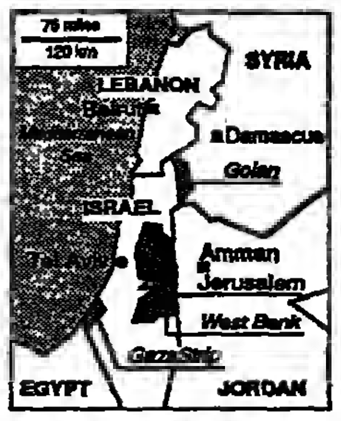
DAVID, exports director for an agricultural equipment factory on an Israeli kibbutz, received a phone call from his agent in England recently. The agent had secured a lucrative contract for drip-irrigation equipment made by the small co-operative.

"The British representative," David said, "reminded me to erase the Hebrew Kibbutz logo from the rubber hosing and to pack the merchandise in unmarked crates." The shipment, after a stop over in Britain to camouflage it with some genuine English products, was heading for Libya – one of Israel's fiercest enemies.

"They aren't our regular customers," said David, who asked not to be further identified, "but from time to time, Arab countries buy our stuff through our European agents."

Israeli goods are officially banned throughout the Arab world – except for Egypt – by an Arab League boycott. Mr James Baker, the US Secretary of State, has called for an end to the boycott as one of the measures needed to achieve peace in the Middle East.

As David's story indicates, however, Israeli goods already penetrate those supposedly closed borders – and in increasing volume. Professor Gad Gilber, of Tel Aviv's Dayan Centre for Near Eastern Studies, reckons the surreptitious trade has nearly doubled since 1984 and accounted for up to 10 per cent of Israel's



Baker: boycott must end

$9.6bn exports last year.

There are no official figures, but Professor Gilber bases his conclusions on Arab press reports and careful scrutiny of Western companies' trade figures. He said most of the exports are agricultural produce and equipment, but they also include computer software.

For the most part, according to Israeli security sources, the goods circumvent the boycott through the help of enterprising middlemen. Israeli products are shipped to neutral ports in Cyprus, Greece, and Italy – to name a few – where they are repackaged and sent back to the Arab Middle East.

The bulk of the food products goes directly across Israel's land borders. Lebanese traders run a lucrative smuggling operation in Naqoura, the Israeli-controlled port in southern Lebanon. Cucumbers, watermelons, bananas and avocadoes – fresh from Israeli fields – are re-labelled and shipped north to Beirut, where the fighting has created food shortages.

The Allenby Bridge, which links the Israeli-occupied West Bank with Jordan has served as a quiet channel for trade in "Jewish" fruit and vegetables, although this has declined since the Palestinian uprising in the West Bank and Gaza Strip began 18 months ago. Until then Palestinian farmers in the West Bank – regular suppliers of fresh produce to Jordan, Iraq, Syria and Gulf markets – regularly passed off Israeli goods as their own in deals with Israeli farmers.

Western industry often has a hand in this peculiar trade. Israeli manufacturers export components to Europe and the US, where they are incorporated into finished products which are then sold to unwitting Arab consumers. The components bear no Israeli markings, although recently a New York manufacturer who was supervising the loading of gas-processing equipment bound for Saudi Arabia, was dismayed to discover "Made in Israel" prominently etched into the units' tyres.

According to Professor Gilber, the Israeli goods help fulfil the Arab world's growing demand for commodities as its population growth outstrips food production.

Relatively low shipping costs make fresh and frozen Israeli foods an attractive alternative to those from distant Western suppliers, particularly for poorer countries.

A representative from the government-run Israel Export Institute said that at a trade conference in Australia last November he was approached by many Arab colleagues interested in acquiring Israel's renowned irrigation systems, designed for semi-desert conditions. David, from the kibbutz factory explained: "Everyone knows that Israel has the cheapest and best watering devices. They (the Arabs) are the ring finger and we are the ring. It is a perfect fit."

While Israel maintains these favourable terms of trade with her enemies – the only return trade is the odd kilo of hashish smuggled in from Lebanon – Egypt, the only Arab country with official ties to Israel, has proved a disappointing partner.

Trade between the two countries declined sharply last year. Excluding the mainstay of crude oil shipments, Egypt's sales to Israel in 1988 were down by a third compared with the previous year at $3.2m. Even including refined oil products re-exported to Egypt, Israel's sales fell to $29m from more than $40m in 1987.

Israeli authorities are reluctant to talk about the secret trade with Arab countries. An official from Agrexco, Israel's state marketing board, admitted that "exports to Arab countries have been going on for years," but added: "We don't like to make a big fuss. It can only do damage."

There are some problems with secret trade. Israeli technicians cannot service equipment in Damascus or Baghdad. Direct marketing, warranties and quality control are also out of the question.

Most Israeli analysts, however, are encouraged by the phenomenon. They regard any form of economic cooperation – however patchy – as a precursor to the more elusive political rapprochement.

"In business at least there are no borders in the Middle East," said Mr Rafi Glick of the Israel Export Institute.

Drive to open Japan public works 'doomed'

By Peter Montagnon, World Trade Editor

EFFORTS by the US government and European Commission to force Japan to open up its public works procurement to foreign contractors are misguided and doomed to failure, according to a report* published today by the UK Export Group for the Constructional Industries (EGCI).

The report follows an EGCI mission to Japan in April to examine business opportunities there, the first such industry mission from a European Community country.

It concludes that there is little prospect of the Japanese public sector market being opened up to foreign competition and suggests efforts should concentrate on private sector contracting and development where "the market is really closed by what the Japanese call their 'customs and traditions' but which could be described in less flattering ways."

Any construction company with transnational ambitions needs to have a presence in Japan and one way of helping secure this would be for all foreign governments, developers and industrial plant builders to insist on the involvement of their national contractors in any construction project in Japan. They should in any case appoint a non-Japanese management contractor without seeking or accepting the need for Japanese agreement or formal permission.

The report says it would be "astonishing" if the US-Japan accord on public works produced any meaningful business for US contractors, "although it may provide some expensive experience of the Japanese market."

The Japanese practice of giving design responsibility to the public authority effectively prevents a foreign contractor from deploying some of his competitive advantages. Moreover, many other developed countries employ similar systems.

"The US and European Commission attention to the public sector of the market is misplaced," the report says. "We also think that Japanese contractors are ill-advised to try to attack the public works market in developed countries other than by means of indigenised subsidiary, and that they should be told so by the US and European authorities."

However, the report complains that there is a very restricted real willingness in Japan to allow foreign entrepreneurial developers to take the design and concept leadership in private sector projects in ways that are common elsewhere.

Japanese development financiers should open up development possibilities to foreign developers and constructors, it says.

**The Construction Market in Japan. Price £50.00 from EGCI, Kinsbury House, 15/17 King Street, London SW1Y 6QU*

Moscow credits for India power

THE SOVIET Union yesterday announced the provision of credits worth 1bn roubles (£990m) for India to finance the building of four major power generation and transmission projects as part of Soviet Union's commitment to help the country overcome the current acute shortage of electricity, writes K.K. Sharma in New Delhi.

The plants will be located at Kayankulam in Kerala state, Mangalore in Karnataka and Maithon in the Damador Valley project in West Bengal. In addition, the Russians will help establish the Vindhachal-a-Nagda transmission line in central India.

The additional generating capacity will be more than 1,000 MW.

AMERICAN NEWS

G-77 head worried at Citibank seizure

The Group of 77 Third World governments said it was concerned by the seizure by Citibank last month of $80m from Ecuador for arrears in payment of its foreign debt, Reuter reports from Vienna.

In a statement, the group said it was worried by "the arbitrary appropriation of Ecuadorean national funds by a commercial bank".

Ms Mervat Tallawy, G-77 chairwoman, in Vienna for the annual meeting of the UN Industrial Development Organisation, told a news conference: "It would be a catastrophe if other banks followed suit."

Citibank said in May it had charged $80m in state funds to cover a trade loan it had granted to Ecuador.

AID failure

Not one family benefited during the first 10 years of a $134m US-Egyptian programme to provide housing for low-income people near Cairo, according to the Agency for International Development, AP reports from Washington.

A new report to Congress by Mr Herbert L. Beckington, AID Inspector-General, complains about US aid operations in Egypt. The US will stop paying money into the project after September 30, the agency said.

At $2.3bn a year, Egypt gets more US aid than any country except Israel.

The AID report said questionable management decisions were responsible for problems in the housing project. Planners apparently never considered how money was to be collected from the occupants, the report said.

Loons arrive

The Bank of Canada has shipped the last C$1 paper notes from its vaults to the banks. The note will be superseded by an 11-sided, gold-coloured metal coin called the loon, Robert Gibbens writes from Montreal.

The coins, popularly called "loonies" and made of alloy, are to last 20 years and 240m of them are being put into circulation. By autumn all the C$1 notes should have been returned to the banks.

Opposition wins Mexican state governorship

By Lucy Conger in Mexico City

AN OPPOSITION candidate has won a governorship in Mexico for the first time since the ruling Institutional Revolutionary Party (PRI) took power in 1929.

Mr Ernesto Ruffo Appel, charismatic candidate of the right-wing National Action Party (PAN), has taken the state of Baja California, at the western end of the border with the US.

In the run-up to the election on Sunday, he won a following for operating a clean administration as mayor of the state's city of Ensenada.

President Carlos Salinas de Gortari was immediately widely praised for the PRI's admission of defeat, admitting the stunning fact that the PRI is no longer invincible.

The PRI acknowledged the PAN's win in Baja California "because it has no other recourse," said Mr Juan Molinar, an elections expert at the National Autonomous University. In Baja California, the PAN benefited from having secured some official computer tapes of voter rolls, and mounted an unprecedented anti-fraud operation, making almost impossible, or painfully obvious, any PRI effort to falsify the vote count.

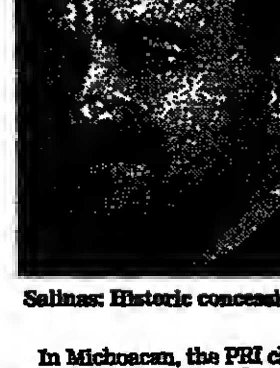
Late on Tuesday night, Mr Luis Donaldo Colosio, the PRI president, said: "We subject ourselves to the judgment of popular will and the determination of the electoral board.

"We must recognise that the tendency of the results for the governorship favours the candidates of the National Action Party," Mr Colosio, his voice shaking, told a national television audience.

Mr Salinas came to power last year through an election which, like many in the PRI's history, was tainted by fraud. Political observers have long said the president will gain authority – and the PRI credibility – through recognising an opposition victory, as the Salinas administration promised to do.

The elections in six states on Sunday featured a sophisticated fraud whereby PRI-run electoral bodies selectively eliminated pro-opposition citizens from electoral rolls, hoping to secure a winning margin in tight races, particularly in Baja California and in the south-western state of Michoacan, a stronghold of the left-wing Party of the Democratic Revolution (PRD).

In Baja California, the PRI claims it holds the lead in mayoral races in the state's three leading cities and in 12 of 15 state assembly contests, pointing to a reluctance to honour opposition party victories across the board.



Salinas: Historic concession

In Michoacan, the PRI claims the advantage in 10 of 18 state assembly races while the PRD claims wins in 15.

Relinquishing majority control of a state congress to the PRD would constitute a special kind of pain for the PRI. The PRD is led principally by PRI defectors who are competing not only for votes at the polls but also to attract more PRI militants to the PRD's nationalist-progressive ideology, which purports to revitalise the ideal of the Mexican revolution that bonds the PRI regime.

"We should recognise our defeats. If we are unable to understand our illness, we can't move forward," said Mr Marco Antonio Aguilar Cortes, a PRI political commentator and former mayor of Morelia in Michoacan, who predicted the PRI would win only a few seats in the state.

Where the covert and the overt collide

Lionel Barber examines Congressional supervision of secret US foreign policy

SOUTH-EAST Asia, the graveyard of US foreign policy 20 years ago, has returned to haunt the present administration.

President George Bush wants to send 12,000 M-16 rifles and other light military supplies to the non-communist resistance in Cambodia, led by Prince Sihanouk.

The aim of this "covert action" is to strengthen the rebels' efforts to negotiate a political settlement with the regime which Vietnam has installed in Cambodia, but the mere hint of US re-engagement in the region has stirred emotions in Congress.

"Surely we have learned from our experience in Vietnam, if nothing else, that, if we are to succeed in a new policy, it cannot be achieved through secret policy-making, secret military programmes, secret arms transfers, or secret deals," said Senator Robert Byrd, the old Democratic Party warhorse from West Virginia.

After a decade of indifference, the US is trying to influence the diplomatic end-game in Cambodia before Vietnam has withdrawn its last troops by September 30. The US would like to keep the Vietnam-backed regime from staying, and to prevent a civil war between the feuding factions, notably the Khmer Rouge, backed by China and heavily armed. This ruled Cambodia between 1975 and 1978 and exterminated 1m people.

Beyond the debate about US involvement in south-east Asia, the Cambodian issue has raised a broader question about US foreign policy under the Bush administration: Has its desire to co-operate with the Democratic majority in Congress removed its ability to mount a covert action, the term used to describe efforts to influence the course of events in a country without the US role being revealed?

In the first six months of the new administration, various US undercover operations have come to light in a way which, senior officials concede, has damaged US interests:-

- In May, it became known that the US was supplying funds to the Panamanian opposition against General Manuel Noriega. This disclosure did not prevent his candidate suffering a crushing defeat, but it exposed the opposition to reprisals and undercut their efforts to keep a their distance from Washington.
- Renewed probing by senators involved in the Iran-Contra arms scandal inquiry has revealed a quid pro quo between the previous US administration of President Reagan and the government of Honduras. The latter received foreign aid in return for opening its territory to the Contra forces fighting the Sandinista government in neighbouring Nicaragua. Officials acknowledge that the revelations have embarrassed the Hondurans and restricted future US options in the region.
- State Department officials argue that the public debate on covert military aid (a contradiction in terms which seems to be accepted in modern Washington) to the anti-communist rebels in Cambodia has strengthened Vietnamese charges that Prince Sihanouk is a tool of the US. It has also made more difficult for him any break of his tactical alliance with the Khmer Rouge, and it has embarassed Thailand, the main conduit for arms supplies. "Covert action is supposed to include deniability," said one diplomat involved.

After the US defeat in Vietnam and the introduction of laws whereby Congress could monitor the intelligence community, it has become almost impossible for the executive branch to keep the lid on potentially controversial foreign policy switches. "We don't want a public debate on Cambodia," said a senior administration official, "but they (the Democratic majority in the House and Senate) hold the whip hand."

This official noted that the US is far better able to mount undercover operations than in the 1970s, when Congressional restrictions such as the 1975 Clark Amendment covering Africa "put us out of business." But the Cambodia fracas shows that the Bush administration is still adjusting to work in the new transparent environment.

First, the administration publicised – through a leak to the New York Times – that it intended to seek covert military aid to Sihanouk's fragile forces. At the same time, Vice-President Dan Quayle spoke publicly about covert aid in an ill-starred effort to drum up support.

Then came an appeal by Mr Stephan Solarz, a New York Congressman and self-styled foreign policy expert. In testimony to the Senate Foreign Relations Committee, he said a CIA-managed covert programme, probably costing betweeen $20m and $30m at first, would help fulfill a "transcendental" moral obligation of the US to prevent another holocaust in Cambodia.

This public campaign played into the hands of a group of senior Democratic senators who had their own doubts about military aid.

Its leader – Senator Claiborne Pell, chairman of the committee – wrote to Senator David Boren, a fellow Democrat and chairman of the Intelligence Committee: "I am very troubled about allowing the administration to stifle debate on this issue by packaging what is clearly an overt programme as a covert one."

Back came the reply from Mr Boren: "It is sometimes necessary and proper to use the Congressional intelligence process established by law, but it should never be used as a substitute for full Congressional debate when broad foreign policy issues are at stake." Cambodia fell into this category, he said.

The administration has not given hope of securing approval of some form of aid to Prince Sihanouk, before he enters negotiations in Paris, from July 27, with Hun Sen, leader of the Cambodian regime. An international peace conference – aimed to achieve a political settlement – is to open on August 4.

A US official said clear lessons emerged from the Cambodia issue. One is that US politicians are still loath to contemplate a new direction for foreign policy in south-east Asia, even if it turns initially on a mere 12,000 rifles.

Another is that the administration has failed to sell its new policy properly. "People want to cast everything in black and white," said the official, "but you can't do that with someone like Sihanouk."

The third lesson, said one Congressional aide, is that public debate about covert operations may not serve the public interest or the interest of allies: "You can't have people taking overt credit for a covert action."

Darman seeks spending cuts

By Peter Riddell, US Editor in Washington

US Government agencies have been asked to suggest possible wide-ranging cuts in domestic spending programmes to help meet the ambitious Federal deficit reduction target for fiscal 1991.

Mr Richard Darman, the Budget Director, has written to heads of agencies asking for options – ranging from 5 per cent cuts in domestic programmes to increases in line with inflation – ahead of the talks with Congress likely to start at the end of the summer.

According to reports published yesterday, Mr Darman said that funding levels set out in the mid-April budget agreement with Congress "will not provide sufficient restraint to meet" the statutory Gramm-Rudman target for cutting the deficit in fiscal 1991, starting in October next year.

The 1991 target is $64bn, although depending on the economic assumptions used, the deficit on present spending and tax plans could be twice as high.

Consequently, Democratic leaders in Congress believe that any deficit reduction package will have to involve both spending cute and tax increases. Senator George Mitchell, the Democratic Majority leader, has said his party will not propose tax increases unless they have the agreement of the president. But, in spite of private soundings by Mr Darman and his officials, Mr Bush is still sticking publicly to his no new taxes pledge.

Mr Darman's latest request for spending options only covers discretionary domestic programmes and excludes not only defence but also mandated areas such as social security and Medicare.

Even a 5 per cent cut in these discretionary programmes would only save $10bn to $12bn, leaving a large leeway to be made up elsewhere. However, such a cut would produce vigorous protests in Congress especially with mid-term elections in November 1990.

The other options allow for increases in spending to match inflation and a freeze at current cash levels of expenditure.

Cuban prosecutor seeks death penalty for seven

THE PROSECUTOR in the court-martial of 15 Cuban military officers accused of drug trafficking asked for the death penalty for General Arnaldo Ochoa and six others, the Cuban government news agency said yesterday, AP reports from Mexico City.

Brigadier-General Juan Escalona sought 30-year prison sentences for two other officers, 25-year sentences for four more and 15-year terms for the final two defendants, Prensa Latina, the official Cuban news agency, said in a dispatch from Havana, monitored in Mexico City.

A Cuban former interior minister is also accused in the case, but was not mentioned in the sentencing request.

There was no indication in the dispatch of when the three-member court would hand down a a verdict.

In his final statements on Tuesday, Brigadier Escalona said there was overwhelming evidence and testimony to confirm the military officers were guilty of treason.

He added that they had also committed hostile acts against foreign countries by involving the US, Mexico, Colombia and Panama in their alleged narcotics trafficking.

The officers were stripped of their ranks and expelled from the ruling Cuban Communist Party after their arrest last month.

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UK NEWS

Toyota looks to Europe to fill top car plant posts

By Kevin Done, Motor Industry Correspondent

TOYOTA, tha Japanese automotive group, is seeking to recruit several senior executives from the European motor industry to manage the car assembly and engine plants it plans to build in the UK.

Mr Junji Numata, Toyota managing director in charge of overseas operations, said that most of the functional responsibilities at the company's UK manufacturing operations would be filled by European executives.

Toyota Motor Manufacturing UK, which is still to be formed, would initially have a Japanese managing director, but there would probably be two European depnty managing directors, one for manufacturing and purchasing, and one for personnel.

Jepanese exectives would fill the two main posts of finance and quality control. Most senior Japanese appointments would be in "assisting and co-ordination capacities." Recruitment of the workforces for the assembly and engine plants will begin in mid-1991.

Nissan, Toyota's main domestic rival, which formed Nissan Motor Manufacturing UK in 1984 to set up its car assembly and engine plant at Sunderland, north-east England, has already followed a similar route.

Initially, Nissan appointed a Japanese managing director, Mr Toshiaki Tsuchiya, to head the NMUK management, but last month it appointed the first Briton, Mr Ian Gibson, NMUK's depnty managing director and a former Ford executive, to the post.

NMUK now has only three Japanese members in its 37-strong management team. Most of its senior executives were recruited from the UK motor industry, chiefly from Ford or British Leyland.

Mr Numata said that Toyota's planned £140m engine plant at Shotton, North Wales, would eventually seek to source all its engine components from suppliers in Europe. The company began sending parts and components study teams to Europe in June.

In the first stage, the plant will produce a range of 1.6-1.8 litre engines with a capacity for 100,000 units a year rising to 200,000 a year in the second half of the 1990s.

Mr Numata said that Toyota would carry out all the machining for the engine at Shotton. The iron engine block would be sourced from Europe, while the aluminium cylinder bead would be supplied initially from Japan. This would later be sourced in Europe.

Junji Numata (left) and Toyota president Shoichiro Toyoda

Friends' Provident in Spanish venture

By Eric Short

FRIENDS' PROVIDENT, the mutual life company based at Dorking, Surrey, yesterday announced a joint venture with the Spanish composite insurance company Kairos.

Kairos is owned by six Spanish savings banks and Friends' Provident is taking a 30 per cent stake in the holding company. The joint venture is the establishment of a life company subsidiary in which Friends' Provident holds 49.5 per cent of the equity, the remainder being held by Kairos.

This move is the first step in Friends' Provident's planned development of its activities in continental Europe ahead of tha 1992 single market, although the company is following in the footsteps of several overseas insurance groups attempting to establish themselves in the Spanish insurance market.

Friends' Provident will provide the expertise in product and administration development and already has a team in Madrid working on product design. Investment and marketing will be handled by Kairos, which has a distribution network through savings bank branches of more than 1,000 outlets.

REGIONAL TRENDS SURVEY

South-east dominates on GDP

By Ralph Atkins, Economics Staff

WHICH IS the fairest region of them all?

Surrey has no unemployment. The Scots are most likely to read a Sunday paper. But Hertfordshire has more cars per head of population than any other.

The 1989 issue of Regional Trends, a compendium of information on regions of the United Kingdom which is published today, gives some clues – but no definitive answers – about the relative prosperity of UK regions.

It is a statistical sketch of many angles, from birth to death via education, crime, health, the environment and numerous measures of affluence.

As a snapshot, it is unfocused. Even government statisticians are not sure how many items of information there are in its 164 pages of tables, charts and maps. Trends or generalisations are hard to spot behind the statistical fog.

A starting point is the Central Statistical Office's estimates of regional gross domestic product – the basic indicator of economic activity.

The dominance of the south east stands out, accounting for nearly two-fifths of the UK's total national income in 1987. In comparison, the contribution of northern England was less than 5 per cent.

Looking at GDP per head – arguably the most objective indicator of economic prosperity – the variations are not as great.

Highest was the south east, including greater London, followed by East Anglia, the east midlands, south-west, and north-west England.

Other figures in Regional Trends give a fuller insight into differing levels of wealth and quality of life.

Most are given for the eight standard regions of England plus Scotland, Wales and Northern Ireland, but some are also available for sub-regions.

Statistics on average household sizes are sometimes regarded as a proxy for wealth. Families may split into smaller units as their affluence increases.

Across the UK, household sizes vary from 3.07 in Northern Ireland down to 2.44 in Dorset (although this probably reflects the relatively high proportion of elderly residents there).

Households are generally larger in the north west, the midlands, Wales and Scotland.

Less certain is whether a high proportion of the population participating in the workforce is a sign of affluence – or of financial pressures.

Figures for so-called "economic activity rates" show 52.2 per cent of females aged 16 or more in the south east were participants in the civilian labour force against 43.5 per cent in Wales.

Comparable figures for males were 75.5 per cent and 68.0 per cent respectively.

Unemployment rates by sub-region show substantial pockets of high joblessness – notably in Merseyside and Cleveland with 16.2 per cent and 15.3 per cent respectively of the labour force out of work.

In contrast, Surrey has a recorded rate of 0.0 per cent.

Explosive rises in house prices have boosted wealth – although for new buyers, higher prices mean larger mortgage payments and therefore lower spending on other goods.

Regional Trends shows house prices rising by more than 100 per cent between 1981 and 1987 in the south east.

Northern Ireland and north-west England saw the smallest increases, of 41 per cent and 46 per cent respectively.

The pattern of spending on foodstuffs probably reflects tastes and fashion, rather than incomes.

Those living in the south east, for instance, have the highest personal disposable incomes per head but, together with inhabitants of East Anglia, eat the least meat and meat products.

The Welsh are the biggest consumers of butter and potatoes but the east Midlands and north west head the league table for margarine consumption and Scotland for bread.

East Anglia, the south east and south west have the highest coffee consumption per person; those in the midlands and north west drink most tea.

Ownership of consumer durables is another measure of affluence. Strikingly, the south east remains at the bottom of ladder for washing machine ownership.

Among the standard regions, car ownership is highest in south-west England with 373 per 1,000 population.

But disaggregated sub-regional statistics show Hertfordshire is the most car-rich part of the UK – with 447 per 1,000 of population.

Scotland, perhaps surprisingly given its geographical size, comes second to south-east England in terms of surfaced road lengths with 51,210km in 1988 against 88,220km.

The south east also has most motorways, at 840km. The laggard on both counts is East Anglia with 20,090km of surfaced roads and only 20km of motorway.

In line with the higher car ownership, fatal or serious road traffic accidents are most common in south-west England with 161 per 100,000 population in 1986.

North-west England boasted the lowest rate with just 92 per 100,000 population.

More environmentally-orientated "quality of life" indicators are incidents of water pollution.

Here, Regional Trends shows the Severn-Trent area as the least desirable place to live in England and Wales with 4,435 incidents reported in 1987, although the number of prosecutions was highest in the north-west region.

The Northumbrian region had the best record, with 571 incidents of water pollution and just one prosecution.

A more controversial measure of living standards is the figure for live births outside marriage – an area of rapid growth in the 1980s.

Highest is Merseyside with 336 per 1,000 live births in 1987. The southern region of Northern Ireland boasts just 92.

Regional Trends 24, 1989. HMSO £19.50

UK 'has highest percentage of over-65s in Community'

THE UK has a higher percentage of people aged 65 or over than any other European Community country, Regional Trends shows, writes Ralph Atkins. It also has fewer than average under 15s.

Comparisons with other EC countries show the diversity in economic prosperity and population across the 12 members. The CSO's selection of figures highlights the increasing burden an ageing population is likely to place on governments in the next decade.

People aged 65 or over accounted for 15.1 per cent of the UK population in 1985, compared with an EC average of 13.4 per cent. Within European regions, the greatest proportion of over-65s was in West Berlin at 19.4 per cent.

At the other extreme, the under-15s accounted for 19.2 per cent of the UK population compared with a EC average of 19.7. The area with fewest under-15s was the Hamburg region of West Germany at 12.0 per cent.

The employment structure also varies considerably from country to country. The proportion employed in agriculture ranges from 1 per cent or less in industrial regions of West Germany to almost 37 per cent in parts of Greece.

For the UK as a whole, agriculture accounts for 2.4 per cent of employment compared with a European average of 7.9 per cent.

There are also striking differences in figures for road traffic accidents – although statistics could be distorted by different approaches to reporting incidents. The safest region of Europe appears to be the Campania region of Italy where there were only 7.3 fatalities per 100,000 population.

UK regions also score for safety with 8.3 and 8.6 per 100,000 reported for north-west and north England respectively. But the rate soars to more than 22 in parts of France and almost 30 in Portugal.

Signs of slower capital investment growth

By Nick Garnett

FURTHER signs are emerging in the UK that growth in capital equipment investment might be starting to slow and even turn down, in contrast to the rest of Europe where last year's investment boom shows no indication of flagging.

Unit sales of electric forklift trucks, used widely in warehouses, distribution centres and some factories fell in Britain by 11 per cent during the first five months of 1989.

So far this year, the UK is the only leading European country to register a fall in the market for electric trucks.

Demand for electric forklifts grew in West Germany by a qnarter in the first four months of this year, by 34 per cent in Italy and by 12 per cent in France.

The fall in the UK market this year followed an increase of 17 per cent last year to 13,800 units, the biggest rise after that recorded by West Germany among Europe's main economies, according to industry statistics.

Figures for the British lift truck market follows indications from UK machine tool builders that soma potential orders are being shelved because of a lack of confidence among many British industrial companies.

It is unclear yet whether this reflects any serious long-term development in mannfacturing investment. Some machine tool snppliers believe what one called a "wobble" in the market was only temporary.

Also, some machine suppliers have detected no sign of a slowdown in the UK market which grew by 22 per cent last year.

The decline in sales of electric lift trucks is also more an indicator of a slowdown in retailing investment than in direct mannfacturing. Most electric lift trucks in the UK are used in warehouses and distribntion centres rather than on manufacturing shopfloors.

If there is a slowdown coming in capital investment expenditure in British industry, however, it bodes ill for British manufacturing.

This is because the recent boom in capital equipment expenditure in the UK appears to have been shallower than in the other main European manufacturing countries for most industries and has been built on a smaller base.

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UK NEWS

Royco group is wound up amid $24m shortfall

By David Barchard

EIGHT companies marketing high performance investment bonds to small investors in Germany and other European countries were wound up in the High Court yesterday at the request of the Department of Trade and Industry.

Mr William Charles, representing the DTI, told the court that there appeared to be a huge shortfall of up to $24m in investor's monies and that investigators from the DTI could not find many of the groups' assets "try as they might."

He said it had come to light that underlying assets guaranteeing the group, said to be US Government Bonds worth $100m, were in fact 1930 Weimar German Government Bonds.

It was not clear whether or not the German Government would honour them.

Some of the Weimar bonds had been identified as belonging to Signal Life, a Gibraltar-based insurance firm which went into liquidation three years ago.

The firms offered investors, mostly in West Germany, four different savings products known as Royco Bonds, giving annual returns varying between 15 per cent and more than 45 per cent.

The Royco Bonds were said to be based on dealing in traded options and futures markets.

Mr Charles said there was evidence to suggest that some bonds had been repaid when they fell due and there had not necessarily been any investor loss so far, although the shortfall in assets made it likely.

The tangled relationship between the eight firms – Henderson Investment Corporation, Varia Holdings Limited, Brittania Marketing Limited, Abinger Southfield Fiduciary Services, Nederlandse Varia Garantie Maatschappif and Royco Investment, Royco Marketing, and Royco Investment NV – took up nearly two hours of the High Court's time. Mr Charles presented a series of diagrams trying to explain the connections.

One of the inspectors commented in the report that there appeared to be an attempt to hide ownership in an unnecessarily complicated group structure.

A further complication had been that one of the companies, Brittania Marketing, had a name almost identical – but for the unusual spelling – to that of an unrelated company in the market.

He said that investigators had been able to form only a partial idea of the role of each company.

"The inspectors found a dog's dinner as far as the books and accounts were concerned," said Mr Charles.

DTI inspectors, who began investigating the group in early January, are still trying to discover the whereabouts of its records and assets, Mr Charles said.

Although some of the companies had been registered in Panama, Jersey, the Dutch Antilles, the Netherlands, and Switzerland, they had all effectively been run by Mr Barry Barlow from offices in Grosvenor Place, London. Yet they had not been registered as overseas companies trading in the UK and had not been authorised under the Financial Services Act.

Mr Barlow – who is not believed to be connected with other financial advisors with the same name – was said to have been abroad since the beginning of the investigation, although he had submitted affidavits to the inquiry.

When the DTI had petitioned for the group to be wound up on May 25, Mr Denis Dolman had been appointed provisional liquidator.

The group tried to challenge his appointment in the court, but was forced to abandon its action when its solicitors Beller Needleman withdrew after it became clear they were unlikely to be paid.

Responsibility for further action over the group and investigation now passes from the DTI to the Official Receiver, the government investigator into company liquidation.

BR posts record profits but stands firm on pay

By Fiona Thompson, Labour staff

BRITISH Rail yesterday announced record profits of £304m for 1989/90 but insisted that it could not increase its 7 per cent pay award to rail staff.

As the rail network gets back to normal after yesterday's third national strike, the *Aslef train drivers' union* is today expected to announce a ban on overtime and rest day working by its 17,500 members from next week. The result will mean commuters facing serious disruption to services daily, in addition to the now familiar once-a-week complete shutdown.

The rail dispute caused a row yesterday between Mr Nigel Lawson, the Chancellor of the Exchequer, and Mr Norman Willis, Trades Union Congress general secretary, at a meeting of the National Economic Development Council.

At the end of a discussion on transport infrastructure, Mr Lawson read a prepared speech in which he called the strikes a "disgrace" and warned that they were damaging the future of the railways.

"What case can the BR Board make out for putting still more taxpayers' money into the railways if union disruption makes them a high risk investment?" he said.

Mr Willis accused the Chancellor of making a bullying speech. Mr Lawson's attack on the National Union of Railwaymen was "unnecessary and unwarranted," he said.

BR reiterated that it could not increase its pay award when presenting its submission to the Railway Staff National Tribunal, the industry's final appeal board, yesterday. The TSSA white collar rail union is presenting the case for an improved pay award for its 37,500 booking clerks and supervisors.

The NUR, representing 70,000 rail workers, and Aslef decided against attending the tribunal because it could not address the second issue at the heart of the dispute – BR's intention of scrapping national collective bargaining.

Mr Richard Rosser, general secretary of TSSA, argued that the 7 per cent was unacceptable because it was below inflation, did not recognise the contributions to productivity improvements made by TSSA, and did not take account of settlements elsewhere.

He accused BR of double standards, saying it intended to give management an average 11 per cent pay increase while claiming there was no more money left for salaried staff.

British Rail told the tribunal it would not use its profits to boost pay settlements. Mr Trevor Toolan, managing director personnel, said the profit was mainly from property sales and was being reinvested in the railway to protect its future: it was not available for general pay increases.

Thames TV in talks on takeover

By Raymond Snoddy

THAMES Television, the largest Independent Television (ITV) company, has opened exploratory talks with Carlton Communications, the fast-growing TV services group, on the possibility of a takeover bid for Thames.

The talks, which are at an early stage, have involved Mr Richard Dunn, managing director of Thames, and Mr Bob Phillis, group managing director of Carlton.

If the negotiations were to develop into an agreed takeover, it could herald further deals leading to a major restructuring of Britain's commercial television companies in the run-up to the awarding of broadcasting licences by competitive tender in 1991-92.

In October 1985, Carlton got the support of the main Thames shareholders – Thorn EMI, the leisure and entertainments group, and BET, the UK-based industrial services group – for a takeover valued at more than £80m. However, the move was blocked by the Independent Broadcasting Authority (IBA) which argued that ITV franchises could not be sold in mid-term.

Since then, the Government has made clear its intention to introduce more competition into commercial broadcasting. Licences will go to the highest bidder which meets a quality threshold.

Brussels takeover study ready soon

By Nick Garnett

A EUROPEAN Commission study of the differences in the ease with which company takeovers can be mounted between and within Community countries is due to be completed in the next two months.

The British Government hopes to use the study, which was launched last year, as a means of promoting changes in continental Europe to make mergers and acquisitions easier to carry out.

The Confederation of British Industry, the employers' organisation, and other industry groups say differences between EC member countries make it easier for companies in Continental Europe to mount bids for British companies than the reverse.

The Government has asked Coopers and Lybrand, the management consultants, to carry out a parallel study. Both reports will look at cultural differences between EC countries and the operation of capital markets.

In a report to the National Economic Development Council yesterday, Mr Robin Leigh-Pemberton, the Governor of the Bank of England, reinforced his support for points made recently by the CBI on mergers and acquisitions.

More transparency in shareholdings, better communication between management and shareholders and more interest by shareholders in the activities of companies should all be supported, he said.

In Mr Leigh-Pemberton's report into relations between industry and the City of London financial markets he referred to the need to monitor highly leveraged bids. "Opinions about the value of these to the US economy, where they are prevalent, are sharply divided. There are circumstances in which such bids have a place in the UK, but it is a development that needs to be carefully watched."

Contested bids probably accounted for less than 10 per cent of acquisitions and the Takeover Panel had freed London from what he called abuses of the market such as "greenmail" and "poison pills."

● A British database company has developed what it believes is the first standard classification for an electronic directory on European businesses, writes Ray Snoddy.

The project, supported by an EC grant, offers improved access to information on 270,000 companies in 11 European countries in five languages. The work has been carried out by Kompass Online, a UK company owned by Reed International the publishing and information group.

The Kompass series was created by Mr Max Nenenschwander, a Swiss businessman, and franchised to 23 countries.

Borrie attacks EC merger proposals

By Christopher Parkes, Consumer Industries Editor

EUROPEAN Commission proposals to take powers to bless or block company mergers came under fire yesterday from Britain's Director-General of Fair Trading.

He also stated concern that Europe's record on protectionism raised valid fears that completion of the single market, scheduled for 1992, could lead to higher prices, encourage Community cartels, and blunt international competition.

Sir Gordon Borrie said in his annual report that he had "grave reservations" about a Commission proposal that it should have the power to authorise even anti-competitive mergers if it thought the deals conferred economic benefits.

"Such a power would be open to abuse, to say the least, and would be certain to attract fierce lobbying," he added.

"Since the power to authorise anti-competitive mergers could include the power to attach conditions, it would for practical purposes put the Commission in a position to dictate the Community's industrial policy without reference to the Council of Ministers."

It would be safer to empower commissioners to decide simply whether a merger with an EC dimension would reduce competition: blocking it if they thought it would; doing nothing if they thought not.

In a group of 12 member states, each with different interests and circumstances, there was a danger that too many anti-competitive mergers might be approved.

"In many cases this could be on what I regard as the spurious ground that an increase in scale was necessary to create 'European champions' with the danger of further pressure to raise trade barriers to protect them if they began to fail," Sir Gordon concluded.

On what he termed the darker side of 1992, he said deeds, not words, would be needed to dispel persistent fears that the removal of internal barriers would be matched by the erection of external ones.

The Community had played an important part in reducing tariffs around the world, but it had also led the way in the global increase in agricultural protectionism and had been a prime mover in the systematic restriction of developing countries' textile trade. More recently it had imposed a wide range of anti-dumping duties of questionable validity, Sir Gordon said.

Europe should be guided by its own history. Many cartels and monopolies had crumbled as trade barriers had been dismantled inside the Community, but there was a danger that completion of the single market might put this process into reverse, he claimed.

Annual Report of the Director General of Fair Trading 1988. HMSO £9.30.

Engineering unions list 12 strike targets

By Michael Smith

THE PROSPECT of further industrial action among British workers increased yesterday when engineering unions intensified their campaign for a four-and-a-half-day week by naming 12 companies they have targeted for indefinite strikes.

Union leaders warned that the initial list, which includes Rolls-Royce and Plessey, will be lengthened as the campaign gathers momentum. Mr Bill Jordan, president of the AEU, the largest engineering union, said that any company affiliated to the Engineering Employers' Federation (EEF) could find itself in the firing line at any time.

The executive of the Confederotion of Shipbuilding and Engineering Unions (CSEU) will draw up a list of plants to be balloted after consultation with workforces. If workers approve, the first strikes are likely in early September.

Yesterday's developments, approved unanimously by the CSEU annual meeting in Llandudno, Wales, follow the breakdown earlier this year of talks in which the employers offered a staged reduction of the 39-hour week for manual workers to $37\frac{1}{2}$ hours.

The unions objected to productivity ugreemeots suggested by the employers to finance the proposed deal and yesterday said they were pressing for 35 hours "withoot strings" for both bine collar and white collar workers.

Mr Peter Brighton, EEF director general, said the strike ballots "would be an unjustified step down a dangerous road. At stake is the competitiveness of British engineering."

The engineering unions plan to ask members who do not participate in strikes to help support striking colleagues by paying a voluntary levy of one hour's pay a week. The request will be made to employees of companies which are not in the EEF.

The 12 target list companies are: British Aerospace, Dowty, GEC, GKN, Lucas, NEI, Plessey, Rolls-Royce, Smiths Industries, TI, Vickers and Weir.

MANAGEMENT: Marketing and Advertising

Corporate direction

Why 'left' and 'right' hands should pair up

Nick Garnett examines the theory that UK companies need a better balance between their financial and marketing performances

How easy will it be for Britain's right-handed companies to become much more left-handed? Not very easy at all, says Professor Peter Doyle; but the long term performance of many of them and of the UK's overall balance of payments depends on managers taking a shot at it.

Doyle, professor of marketing and strategic management at Warwick University, has recently completed a study* which claims to show that, since the late 1970s, British businesses have grossly overdone the development of an increasingly "right-handed", financially driven approach to decision making.

Return on investment rather than a more "left-handed" drive for market share became the goal (see diagram). Financial programmes rather than marketing plans set corporate direction.

Doyle examines one of the apparent paradoxes of British industry. On the one hand, British companies have gone through a lengthy period of rationalisation and productivity improvements with corporate profits and cash flow at a 15-year high. On the other, the number of instances of UK companies regaining lost market share are miserably small and the UK's deficit in manufactured goods has shot through the roof.

The study, based on detailed information supplied by 379 chief executives of Times Top 1000 companies, shows that there really is no paradox, according to Doyle.

"Declining market shares are a natural and obvious consequence of industry's approach to improving productivity and profitability in the past decade. "Market positions have eroded because many, perhaps the majority, of Britain's largest companies have seen themselves as being forced to focus inwardly on cost reduction rather than outwardly on the requirements of the market.

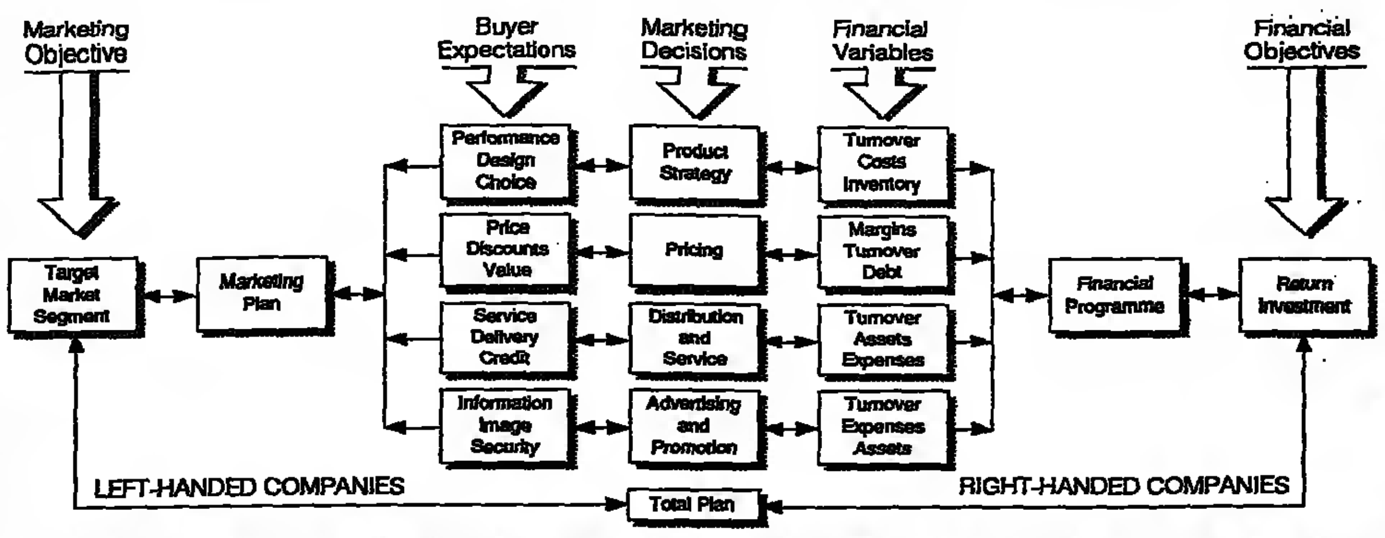
"The consequence is that, today, many companies face eroding market shares and most (74 per cent of the sample companies) are stuck in mature or declining markets."

In Doyle's diagram, main business decisions about product strategy, pricing, distribution and promotion have an opposing impact: a left-handed effect on market performance and a right-handed effect on financial results. There are a lot of left-handed companies in Japan (Doyle picks out examples such as Hitachi, Komatsu, Toshiba and Sanyo) but not many in the UK.

This issue comes back to the old chestnut of conflict between the pressures exerted by the stock market and the requirements of long-term product and marketing development, which can improve market position in the long term but cause a short-term decline in profitability and cash flow.

Doyle recognises this but says that even within the constraints of the City, many if not most British companies have failed to secure a proper balance between the two.

"The cost of Britain's rationalisation process in the last



decade was increased by the failure of many managements to appreciate that strategic decisions must achieve a specific balance between market requirements and financial constraints. Companies have to balance long-term market requirements with short-term profitability. In recent years, many leading companies have not managed this balance."

In other words, there has been too much right-handedness with the focus on cost-cutting, rationalisation and disinvestment.

It is not surprising that British industry is the animal it is, says Doyle. After 10 years of right-handedness, most British companies have better profitability and productivity, but most report disappointing market performance and worries about growth.

Some 93 per cent of the survey sample rated return on investment as strong and 86 per cent had seen high profit growth over the past five years; but only a quarter were represented in markets which were expected to grow.

However, Doyle detects a shift in attitudes, though he questions how this shift will influence corporate decision making. Chief executives "overwhelmingly believe that they are coming to the end of the road in terms of gains from further rationalisation," says Doyle. "Almost all are now desperate to increase volume and gain market share to support new investment."

Two thirds of the chief executives rated greater investment and better marketing as the central plank in their company's future prosperity against just over a quarter who focused on further efficiency and cost improvements.

It is not exactly a rush towards left-handedness. Only half of the chief executives said that to find new markets or products was a strategic goal for their companies over the next five years. Still, in marketing terms that is better than the 27 per cent who said it was a prime goal during the previous five years.

Doyle reports that while all this might be encouraging, it would be unrealistic to expect quick improvements in marketing competitiveness. "The shift away from the right-handed approach to decisions will prove difficult for many British companies."

He identifies three reasons. One is external to companies — the short-term orientation of British financial institutions which, says Doyle, is still seen as a big barrier to long-term investment.

However, the report does identify two internal company weaknesses, which it says are aggravated by the City's influence. One is that boards of directors in most of Britain's biggest companies are still heavily financially oriented. "While 89 per cent of the sample companies had a finance director on the main board, only 49 per cent had a marketing director." In choosing non-executive directors, 54 per cent of companies went for individuals with a financial background; 29 per cent had a marketing background.

"On most British boards there is a lack of knowledge about what modern marketing is and what is required to introduce an effective marketing strategy and organisation."

The other weaknesses were the education levels and the training background of senior managers. Among the chief executives, only half had a degree and only a third had any professional business education. Of this, accountancy was by far the most common discipline. "This combination means that too often boards over-simplify the task and fail to sustain the long-term commitment required to achieve competitive marketing performance."

Doyle says growth in global markets only occurs when the company's philosophy is strongly customer-oriented. Acquisitions — the quick fix solution to lack of growth — rarely provide a sustainable strategy, he argues. A statement made by a manager of F H Tomkins, the mini-conglomerate, seems to have got up Doyle's nose. "We regard our customers as the financial institutions, not the people who buy our company's products," the company is quoted as saying.

Achieving the "left" side is harder than getting the "right" right, Doyle points out. This is because success is determined by beating competitors in world markets rather than focusing on costs, and it takes much longer.

Organisational changes and shifts in learning techniques are suggested by Doyle as a way of trying to achieve a more left-handed leaning.

Like so many of these studies, Doyle's thrust is that cultural change must come from the top, from the chief executive. "Many British companies still believe that training middle management will produce the cultural change. This never works and invariably creates frustration as enthusiastic managers find their new marketing ideas blocked by a board and senior management with unchanged attitudes."

Of the sample, 133 companies are in general industrial manufacturing, 92 in consumer manufacturing, 59 in retailing, 54 in industrial services and 41 in consumer services.

*Britnin's left and right-handed companies — the corporate philosophies of Britain's chief executives. Professor Peter Doyle, Warwick Business School, University of Warwick, Coventry CV4 7AL. £5.

Garden festival shows off the blossoming of regionalism

Romans in Peterborough, Japanese in Telford and, of course, Glasgow's miles better — these advertising campaigns have helped put places on the map. Soon, a smiling pixie in a green hat will set out to convince us that Ebbw Vale is no longer synonymous with steel and one of the biggest Labour majorities in the country. In 1992, it will be the home of Garden Festival Wales. The festival will be the focus for an image change from rust to green, from industrial dereliction to a horticultural haven.

In the next few years, the regions and cities of Britain could present a significant opportunity for marketeers. Peter Miller, managing director of Business Development Group (formerly part of Allen Brady & Marsh, the UK advertising agency), thinks that the challenge to create a distinctive image for different parts of the country could be on a par with the campaigns which have sought to identify the values of one clearing bank against another, and emphasise the differences between supermarket chains.

A decade or so ago, it was fashionable to lament the passing of regional differences. Britain was heading for uniformity. But it has not happened. Regionalism is alive and well. If anything, regional attitudes have hardened, and the personalities of different places areas have become more distinct. Miller says that the marketing of the regions has not yet capitalised on these differences.

The opportunities for the regions become more apparent as congestion and labour shortages in the south-east prompt companies to consider moving out. A recent survey found that 40 per cent of companies in the Thames Valley are contemplating relocation. Probably most will not move; traditionally, companies are not very mobile.

But some already have, and more will go. Where will they go? The answer will not necessarily be the cheapest area. It may well be whichever is considered the nicest with the executives who make the decisions.

Birmingham's bid for the Olympic Games was not wasted, although it was unsuccessful. Four years ago, Lloyds Bank decided to move some head office functions out of London. It picked Bristol. Birmingham did not have the right image to attract managers who were vital to the move's success. But today that would not be the case. Birmingham has picked up.

"One of the first rules of marketing is to ask: 'how does the product differ from others?' It is not just about proclaiming the general virtues of a place," says Miller. Too much of current marketing concentrates on things like travelling time from London, without conveying a distinctive image.

Take Wales. Miller, who has just won a contract from the Cardiff Bay Development Corporation, and is part of the consortium which will be promoting the Ebbw Vale garden festival, considers the strengths which are "peculiarly Welsh. Financial services are developing there, because the Welsh produce precisely the kind of people who are reasonably well educated." The theme of the garden festival, which must attract commercial sponsors as well as the public, will be the greening of the environment. But it is also about bringing long term jobs to the area.

L&R Leisure was appointed by the festival company to lead the team which drew up the commercial and marketing strategy. The team included Price Waterhouse, Good Relations, and The Business Development Group, with The Wight Company as consultants to bring in sponsorship.

The lead time to develop the campaign is much longer than was enjoyed by the other cities staging national garden festivals. Ebbw Vale festival is likely to be the last.

Agencies set up to promote development in the regions and urban areas often have a less specific idea of what they are trying to say. "Last year, they spent about £14m on media advertising. The total marketing spend is probably approaching £50m," says Miller.

But he detects in the finished product that "there is some unwillingness to accept that they have got something particular to sell, something with brand values. The marketing task is to direct the feelings of the heart as much as the rationality of the head."

The explanation, in part, is that the budgets of agencies frequently come from a variety of organisations, most of them in the public sector, and each has different expectations. "So, marketing tends to be tactical rather than strategic," says Miller.

But memories of what the apple did for New York, and "smiles" for Glasgow, suggest that this is a route worth pursuing.

Hazel Duffy

TECHNOLOGY

Disney draws the computer further into the picture

The latest animated feature film from Walt Disney, Oliver and Company, relies on compnter technology more than previous movies of its kind from the studio. Due for release in Europe before Christmas, it includes 11 minutes of material generated by computer.

Compnter graphics have already revolutionised television design and commercials, with sophisticated three-dimensional solid modelling. Bnt feature film production has had less success with this medium, because of the quantity of material required and the higher resolntion for 35 mm film — a minimum of 2,000 lines compared with 625 lines for the Pal European television standard. Both factors increase the cost in computer time.

Disney's early venture into full solid modelling, the 1982 release Tron, was a commercial failure. Now the policy is to use the technology within the confines of the traditional Disney style, but adding creative possibilities.

"It's the same as with any technology, whether it's hand inking, computer inking, computer painting or 3D modelling. It gives film makers the tools that they want to make their movies," says Peter Schneider, senior vice president for feature animation.

"But we do not believe that the computer can act to the degree that hand-drawn characters can act — and without that you have no movies," he says. "We are as aggressive as we can be in terms of applying the technology — but we will not do it to the detriment of film making."

The team of computer animators works in a one-to-one relationship with the computer engineers, allowing the traditionally trained artists to create directly on the screen, but with technical back-up.

At the beginning of each film's four-year production programme, a decision is made as to which elements might be snitable for computer rather than hand-drawn animation. Typically these would be inanimate objects which could benefit from unusual or dynamic camera angles. Storyboarding then has to be planned to the minutest detail before production can begin, as both elements will later have to be combined.

What sets the computer animator apart is the ability to work in three dimensions. The first job is to build a wire-frame model in the computer's memory, constructed from the object's separate moving parts. This will then be animated, using the traditional visual tricks of the trade to give a natural sense of movement.

Building and animating such a model can be time-consuming.. But once this has been done, changes to camera angles or revision of the scene can be achieved relatively quickly — providing a new level of flexibility.

Once the final version has been agreed, a hidden-line removal programme is run to provide a final two-dimensional line drawing. As with traditional animation, these frames will then be hand coloured to provide a perfect match in texture between both aspects of the prodnction. Research continues into computerised colouring but, for the time being, Disney believes that the old ways offer better quality and are more cost-effective.

Objects created and animated on the computer for Oliver and Company include cars, buses, a piano, sunglasses, subway tunnels and trains, and city-scapes. For the film's final chase, a database of the Brooklyn Bridge was fed into the compnter, allowing the animators a wide range of dramatic, swooping camera angles.

"The computer is a tool used to generate a level of believability and depth in the film that until now would have been difficult if not impossible," says director George Scribner.

"Because the city itself is in some respects another character in the picture, we wanted it to be realistic with lots of movement and traffic — not just static backgrounds. The computer has enabled us to generate the rhythm and action that goes with an urban centre and then animate the characters on top."

Bob Swain

SmithKline

LOCATION	STAFF	R&D FOCUS
Philadelphia (US)	1,500	Cardio-vascular, gastro-intestinal, immunology, anti-viral, anti-cancer, molecular biology, biology
Welwyn (UK)	600	Research only
Tonbridge (UK)	100	Process development
Italy	75	Central nervous system; clinical research
France	50	Clinical research
Belgium	200	Vaccines; production technology
Japan		Clinical research


Keith Mansford, head of the $500m-a-year SmithKline Beecham R&D programme

Beecham

LOCATION	STAFF	R&D FOCUS
Great Burgh (UK)	450	Biosciences (anti-virals, anti-fungals, antibiotics, immunology); biotechnology
Brockham Park (UK)	450	Chemotherapy, antibiotics
Harlow (UK)	450	Central nervous system, gastro-intestinal, cardio-vascular.
Walton Oaks (UK)	150	Animal health
Stock (UK)	160	Toxicology
Worthing (UK)	100	Process development
W.Germany	50	Central nervous system; clinical research
Italy	75	Clinical research
France	50	Cardio-vascular, clinical research

Forging a unified strategy for bringing drugs to market

David Fishlock finds that the SmithKline Beecham merger owes a lot to the discovery of complementary R&D portfolios

Keith Mansford, the man picked to head a $500m-a-year (£310m) research and development programme for the merged pharmaceutical group SmithKline Beecham, once worked on Lucozade, Beecham's best-selling pick-me-up. "It was probably the most fundamental research I've ever done," he recalls.

Lucozade has long enjoyed a place in the affections of Beecham's researchers. In the mid-1950s the company ploughed profits from it into its first pharmaceuticals research programme, on semi-synthetic penicillins. But it was challenged to justify its claims that Lucozade provided "instant energy" in a way that, say, a spoonful of glucose could not. So Mansford, a biochemist, was asked to show how the mixture of sugars in its recipe provided a more rapid rise in energy than any single sugar.

In the months to come Mansford, 57, will need all the energy he can muster as he tries to forge a unified research and development strategy from two substantial corporate programmes spanning seven countries, 15 laboratories and 5,500 staff.

Saving on science is no part of the rationale for merging, says Mansford, whose career has been shared between academic and industrial research. He will be on the main board of the new company, due to be formed this month. He sees its R&D budget expanding in proportion to the greater earnings expected from pooling the two portfolios of potential pharmaceutical products.

The programmes of the two organisations differ in their timescale; Beecham has several drug innovations further along the development path than SmithKline. The merged group will spend about 12 per cent of sales on R&D, which is the proportion each currently spends on it, he says.

Mansford became chairman of Beecham R&D, and a director, in 1984. He traces the origins of ths marriage with SmithKline to an audit of Beecham's R&D programme, which he undertook with two senior research colleagues on behalf of the board late in 1987.

He calls it a "Delphic survey" to see how the programme measured against independent perceptions of the opportunities for new business from drugs over the following two decades. The trio recruited 50 internationally respected academics to analyse portions of the programme — and to state bluntly how Beecham was doing and what it was neglecting to do.

The company had done this before; but for specific sectors of therapy, never for the entire portfolio of R&D which that year was costing £85m.

Over the next six months the research managers spelt out the ground rules, extracted and collated critiques, and recycled them to the critics. As a result, they concluded that the programme should focus on four core areas of research — three already established and one previously overlooked.

Between them, these four core areas would have 80 per cent of the budget, although not equal shares. The four are:

- anti-infective drugs, including antibiotics, anti-virals, anti-fungals, anti-Aids;
- cardio-vascular drugs, taking account of an ageing population and the growing need for very long-term therapy;
- inflammation and pain, including the need for greater efficacy and less risk of addiction;
- mental illness, the one which Mansford admits Beecham had previously under-estimated as a research target.

He has just committed £5m over the next decade to a joint venture with Oxford University in the fundamental biology of mental health.

The other 20 per cent of the budget will be spent following up more opportunistic leads — "buds of feasibility," as Mansford calls them. "And one suspects that's where the big discoveries may come from." This R&D is run on a looser rein than the core areas.

Mansford admits that such a Delphic survey is unlikely to come up with a completely new view of a research programme. But for his board it afforded some general reassurance, while for himself it gave "a glimpse of the additional opportunities for the next two decades."

But even with a growing R&D budget — £114m had been allocated for this year — there was not enough cash to include such targets as cancer and immunology as core areas. The audit also highlighted the lack of a US research centre tapping such expertise as molecular biology.

The outcome of this audit last spring, together with other observations made by the Beecham board, was recognition that the company was only a bit player in a big and fast-growing international R&D contest, where even the leading player had only 3.8 per cent of the pharmaceuticals market. It was also felt that a serious presence was needed in the US.

The board turned next to a powerful computerised intelligence system built by the laboratories to show who was doing what in pharmaceutical research. By examining matches and conflicts with other companies, it concluded that SmithKline Beckman, based in Philadelphia, was the prime candidate. It was already researching all four core areas identified by Beecham, plus cancer and immunological control.

The merged company, SmithKline Beecham, will have a simple R&D target of delivering one major new drug product a year to the market. At least, that is the rate at which it expects to have drugs ready for submission to the regulatory authorities. "We've got a pipeline capable of delivering," Mansford says confidently.

He plans to run the merged company's R&D from offices both at Epsom, Surrey, and at King of Prussia near Philadelphia, with George Poste, SmithKline's president for R&D, as his senior research manager for the entire team. He thinks it important for morale that they are seen to be working closely together.

Mansford is careful to distinguish between research and development in pharmaceuticals. He says that they are two quite separate processes, needing different management styles.

Drug development, ths expensive part of R&D, will absorb a great deal of effort as he endeavours to mesh the pace of development for each compound under investigation with the commercial strategy of the merged company. This is bound to be different from the individual commercial strategies, he says.

He will apply the well tried Beecham formula of having a development team assigned to each compound, and that is not so different from the SmithKline approach, he says.

Research management is simpler. "You can still do an awful lot for £1m a year. I like a flat research organisation. It's all about lateral thinking and recognising serendipity when you see it."

Satellites launch into gas leak detection

By Michael Swiss

THE US Gas Research Institute and the National Aeronautics and Space Administration are carrying out an investigation into the possibility of using satellites to detect leaks in gas pipelines.

This approach would also allow rights of way allotted to pipelines to be mapped and the corridors leased for pipeline work to be monitored. Other bodies involved in this work are the Argonne National Laboratory and Battelle Institute.

During experimental work carried out last autumn, a pipeline belonging to the MidCon Corporation was photographed from space by two satellites and two aircraft. The stretch of pipeline chosen ran past the Argonne laboratory's property in Chicago. The images obtained by the satellites — making a record of items of various sizes, shapes and colours — were both sharper and more accurate than those taken by the aircraft.

The satellites' instruments identify the leaks by observing the drying out effect of escaping gas on the soil and changes in the appearance of nearby plants. Other features that can be detected are a temperature fall in the soil, the presence of ethane, which is often in natural gas, and pipeline corrosion through rust-coloured stains.

Satellites could also be used to provide an instant read-out from meters in outlying stations, an operation which at present is carried out using cables or radio transmitters. The former have to be laid, the latter must form a chain of stations in visible contact with one another.

A line-of-sight contact with a satellite may not only be easier to achieve, but also serve as an alternative in cases of accidental obstruction. And it could prove to be cheaper. This mode of operation is already in use on the El Paso pipeline in 31 locations which are difficult to reach.

Observation from a satellite can also give a warning of any potential encroachment upon the pipeline's right of way by unregulated development, such as disposal of rubbish beyond city limits.

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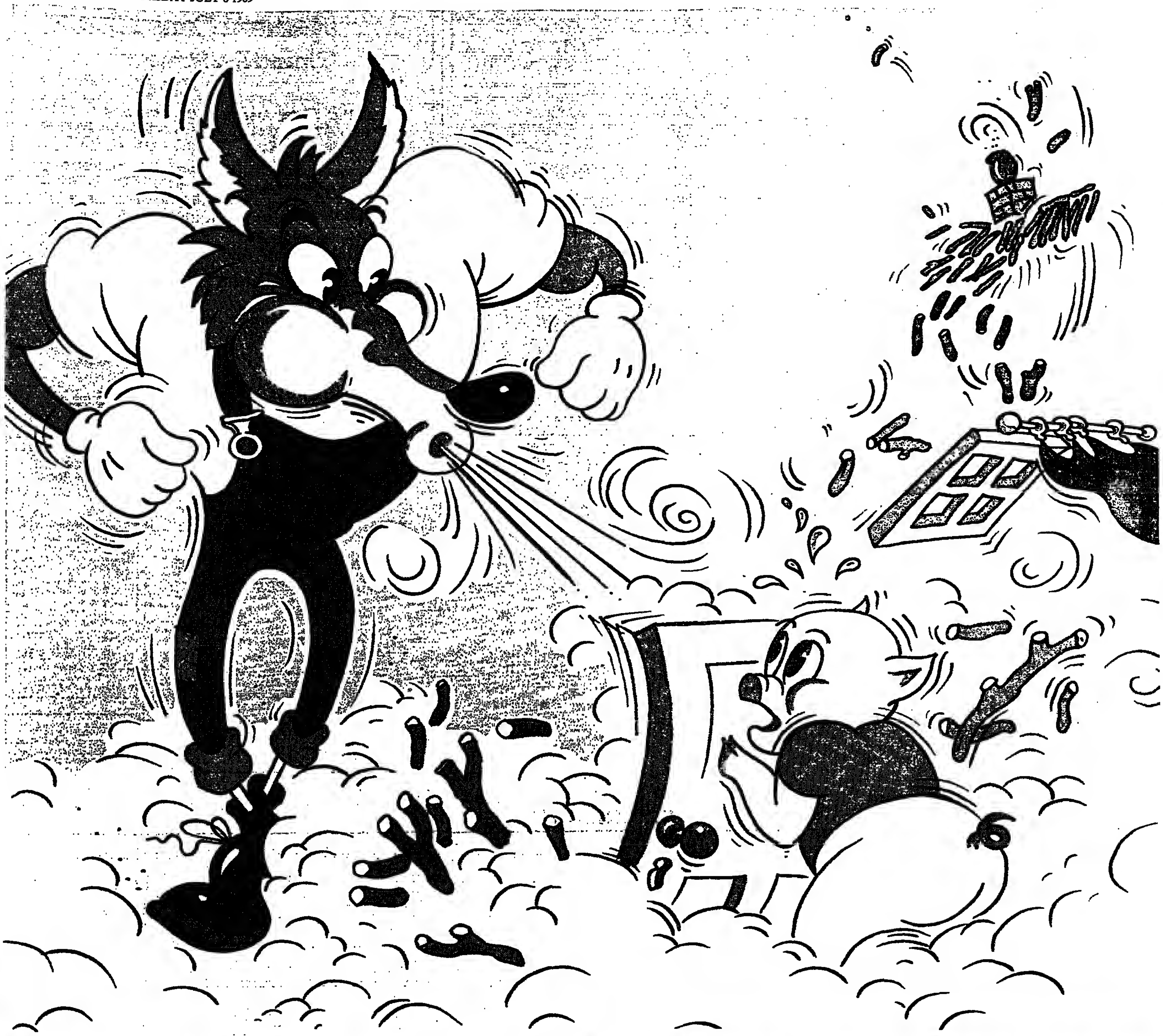

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LEGAL NOTICES

No. 001903 of 1989
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF
ANGLO LEASING PLC

AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 12th June 1989 confirming the reduction of the capital of the above-named Company in accordance with the provisions of the Scheme of Arrangement sanctioned by the said Order and the Minute approved by the Court and showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 16th June 1989.

DATED this 4th day of July 1989

Berwin Leighton
Adelaide House
London Bridge
London EC4R 9HA
ref: ILJ/A226/15

Solicitors for the above-named Company.

Registered No: 1437192
Registered in England & Wales
ENVIRONMENTAL BUILDING
SERVICES LIMITED

We, Nigel John Vooght & John Martin Iredale of Cork Gully,
9 Greyfriars Road
Reading
Berkshire RG1 1JG
hereby give notice that on 21 June 1989 we were appointed joint administrative receivers of the above-named company by TSB Bank Plc under the terms of a debenture dated 14 December 1985 giving the holders a fixed and floating charge over the whole of the company's assets.

N J VOOGHT
JOINT ADMINISTRATIVE RECEIVER.

No. [illegible] of 1989
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
Mr. Justice Peter Gibson
Monday the 12th day of June 1989

IN THE MATTER OF
VENTURE PLANT GROUP Plc

and

IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 12th June 1989 confirming the reduction of the share premium account of the above-named Company by £5,150,000 was registered by the Registrar of Companies on the 17th day of June 1989

Dated this 6th day of July 1989

SPEECHLY BIRCHAM
Bouverie House
154 Fleet Street
London EC4A 2HX

PAK/IAG/31006
Solicitors for the above-named Company

PERSONAL

COMPANY NOTICES

GEOFUND LIQUID ASSETS

To all holders of shares in Geofund Liquid Assets ("the Fund").

Notice is hereby given that the Fund was terminated on 30th June, 1989. The Trustee will distribute the respective entitlements to holders of shares still outstanding against production of the relative certificates or in the case of shares issued without certificates, in accordance with the inscription in the share register.

Manufacturers Hanover
Asset Management Limited,
P.O. Box 187,
Le Truchot,
St. Peter Port,
Guernsey, C.I.

ARTS

CINEMA

The deserter who would be king

John Milius's *Farewell To The King* stumbles heroically through the jungle of its own unevenness. In a season of pin-brained comic-strip movies blown into sleek box-office obesity – *Licence To Kill, Indiana Jones*, the upcoming *Ghostbusters II* – this truth-based epic tale of an American World War 2 deserter who becomes king of a Bornese tribe is itself a "deserter" in the war waged on our wallets by Hollywood.

Adapted from on a novel by Pierre Schoendoerffer (in turn based on the true story of American soldier Tom Harrisson), the film has no glib picture-book "concept" to ensnare moviegoers by the million. It addresses such knotty matters as freedom, history and identity. And the hero's story is less a Boy's Own romp than a three-part modern passion: his desertion from the US army after the fall of Corregidor; his later persuasion by the Allies into leading his tribe against the Japanese; his final betrayal at the white man's hands.

As a writer-director, Milius specialises in heroic films that backfire at the box office: *The Wind And The Lion*; *Big Wednesday*; *Red Dawn*. (He also scripted Coppola's over-weening and accident-prone *Apocalypse Now*.) *Farewell To The King* is shot with a breathless dishevelment. The cinematography, ranging from desaturated, khaki-coloured jungles to crimson-filtered skies, matches the wildly all-sorts performances. While the plot's infrastructure is held in place by card-index typecasting – James Fox as our man at Allied HQ, Nigel Havers as the British ex-botanist parachuted into the greenery to negotiate with Nolte's tribe – Nolte's hero has a spellbinding outlaw magnetism.

The battered, concave face is framed with a waterfall of blond hair. The small, piggy eyes hurl looks of laser power. And the voice is a sandblasted rasp that makes you believe a native tribe, with no prior experience of star-quality machismo, might have bowed down before this hoarse, Titanic idol.

The whole movie is a weird, schizoid creature. One loves it even while it tears itself apart. Half the time it is ball-and-chained to a banality Milius cannot escape even when – indeed especially when – he tries to form his lips into Great Statements. Lines like "You can no longer avoid history" (Havers to Nolte) or "He doesn't need World War 2 but World War 2 needs him" belong in some great waste-paper basket in the skies.

But at sudden moments Milius tears himself loose for a scene of wild majesty. Nolte's run through the jungle, after his desertion, is a run through the guerrilla stations of human despair: fear, hope, lust for annihilation (he toys for seconds with a gun pressed to his face), a final leap into the unknown that leads him into the tribe. And whenever Milius and cameraman Dean Semler pull back to show a jungle large with the grandeur of mortality – clouds hanging like smoke over the luxuriant reek of a decaying earthly Paradise – we glimpse what the film could and should have been about. A man crushed by his own dream of flight and petty fiefdom; the omnivorous mulch of history claiming its grandest victims even as they cry freedom or fulfilment.

Nick Nolte

FAREWELL TO THE KING
John Milius

FULL MOON IN BLUE WATER
Bill Bozzone

SKIN DEEP
Blake Edwards

WHO'S HARRY CRUMB?
Paul Flaherty

One would love to have seen what the venerable German firm of Herzog and Kinski – purveyors of crazed mysticism to the gentry – would have done with this tale. Milius makes a brave and vigorous stab, even if he tends to impale himself as often as his subject along the way.

★

In *Full Moon On Blue Water* bar-owner Gene Hackman is having a mid-life crisis on the Gulf of Texas. His wife vanished into said gulf a year ago, *though Mr H still lives in hope*. (If she has drowned, he argues, show me the body.) His live-in father-in-law is a deranged old coot played by deranged coot specialist Burgess Meredith. His bar help is a young ex-mental patient (Elias Koteas). And his best friend is Teri Garr, a goodhearted, down-home blonde who wants to be more than "just" a friend. Her Mom, though, discourages any thought of pre-marital promiscuity: "Man don't buy a cow when he can get the milk for free."

The creaking sound you hear is not the wind against the timbers of Hackman's shack-style saloon-cum-eatery but the plot contrivances of Bill Bozzone's screenplay. (It began life as a stage play and don't we just guess it.) Not since *The Petrified Forest* have so many attitudinising oddballs gathered in one day in one place of refreshment. Soon old-man Burgess is meeting an untimely accident; the disturbed barhand is waving a gun; Hackman's wife turns up on a mortuary slab; and grasping estate agents try to cheat our hero of his property. For why? "Once that new bridge goes up" they hiss to each other, "we're talking sky-rocket land prices."

We're talking, as far as concerns this film, ripe old potboilers. Late in the day it dawns on us that we may be watching a comedy: a fact attested to in the Press notes. (A "warm, earthy comedy" it insists.) But I suspect the project became a comedy only when the cast and the director (Peter Masterson of *The Trip To Bountiful*) found themselves breaking up at the portentousness of the material. Early scenes are cumbrous with exposition, and middle-to-late scenes are perched on the edge of melodrama.

It remains watchable thanks to the acting. To Ms Garr and Mr Meredith, an outstanding supporting player bouquet each. To Mr Hackman: a lifetime achievement award for expressing a lifetime in every character he plays. Here his grizzled mid-life Texan – with his beer belly, his smirking mapful of wrinkles, his face and voice squeezed by every utterance like a lemon – is a weatherbeaten delight. If actors can be described as "lived in," Hackman is a one-man Hearthreak Hotel: a place permanently infested with life's down-and-outs and survivors, a tragicomic meeting point for end-of-the-road humanity.

★

After Hackman, *anthropithecus menopausalis* strikes again in Blake Edwards's *Skin Deep*. This is like Edwards's *10* revisited years later in a Home for the Incurably Repetitious. Semi-identical plot: menopausal Los Angeles male pursues gorgeous female(s) but comes back to lady wife at curtain-time. And much the same incidental antics: though the banana-skins of old-style Hollywood comedy are increasingly being replaced by the more lethal mirth gauntlet of modern American manners – psychiatrists, dentists, masseurs, lawyers.

By the magic of changing star fashions, Dudley Moore has turned into John Ritter (of TV's *Hooperman*) and the goody-two-shoes wife has become Alyson Reed instead of Julie Andrews. The bimbo role has exploded from one – Bo Derek – into several. Conveyor-belted into camera-range with simpering smile and movable bra-straps, they include a blonde body-builder (Raye Hollitt), a brunette nymphet (Jean Marie McKee) and several stunning career ladies nineptimed by Mr Ritter's (usually drunken) charms.

But just when you are wearying of Edwards's consumer's guide to Bimbo-dom, he unleashes the film's funniest scene. This involves a luminous *condom and had the* Press show audience rolling and pitching with merriment, like a ship on a high sea. It proves you can never write Edwards off, even though his recent films – like *A Fine Mess, Blind Date* and *Sunset* – have urgently encouraged you to do so. *Skin Deep*, however lacquered by Hollywood aesthetics in its technique, also has an endearing comic bumpiness in its (self)-portrait of Middle-Aged Man Agonistes: a man trying to keep to the straight and narrow even though most signposts in modern America point to the scenic route of hedonism.

All signposts point away from the lamentable *Who's Harry Crumb?* Fat comedian John Candy (of *Planes, Trains And Automobiles*) plays an unfunny detective solving crimes in a spoof whodunit. The main crime, alas, is the script and the gentlemen who dun it are writers Robert Conte and Peter Martin Wortmann. They are abetted by director Paul Flaherty.

Nigel Andrews

Alastair Muir

Lyudmila Semenyaka

The Bolshoy Ballet

COLISEUM

For the opening performance of its London season on Tuesday night the Bolshoy Ballet proposed *The Sleeping Beauty*. This is Yury Grigorovich's version, textually different from local stagings in detail, but characteristically Russian in its breadth of style, as it is characteristically Grigorovich in its insistence upon classical dance as the language of the action.

I reported on the staging a few years ago when the Bolshoy was at the Vienna State Opera. There the production had room to breathe – as it *breathes on its home stage* – where the Coliseum seems both to crowd its patterns and inhibit the use of a full company to provide that proper framework for a court spectacle. Unsympathetic lighting also meant that stage devices – the Lilac Fairy's boat; a kind of trapeze on which she can rise above her attendants – were unmagically on view. But there is, even so, a spaciousness and a momentum to this version which marks it as a serious response to Petipa and Chaikovsky.

Whatever the deviations from the text we know, the classic foundations of the work, its formal inevitability as well as its historical significance, are respected. And the company style, open and generous in impulse as in outline, is everywhere the mirror of those rules that govern academic classicism. There is a serenity and a largeness of imagination to the staging and *its interpreters*.

This was nowhere more apparent than in the magnificent quartet of leading performers. True classical dancing presupposes both the right education and the right physique. These Lyudmila Semenyaka has, in an exquisite frame, in exquisite Kirov schooling. It further demands a sense of proportion, a harmony in temperament that knows how to control every effect within the rigours of a style without losing the potency of a dynamic or emotional image. This gift, too, is Semenyaka's.

As Aurora, that summation of the classic dance, she produces an interpretation of rarest beauty. At every moment she justifies, renews, *illuminates the strictest canons* of the academic style. Nothing is extreme, neither step nor pose, and every movement is cogent, lovely. The young Aurora, slightly nervous at the start of this performance, blossoms, as does the dance itself. By turns serious, then joyously brilliant, the choreography and the character open out, so that by the first act variation – phrased with utter charm – we feel we know the radiant girl who *dances for her suitors*.

As the vision, Semenyaka seems to have further purified her dancing: the Aurora of the third act is enchanting in her happiness but also grandly the ballerina. And we see here the ultimate mystery of the great dancer, that sense in which they are isolated by their own genius, absorbed in a communion with their art. Around Semenyaka the music and the action continues: she is serenely concerned with the profoundest matters of the dance itself, and is sublime.

In Alexey Fadeyechev, Semenyaka had a Prince of noble gifts. With him a simple gesture, arm raised to his courtiers, speaks of aristocracy, and of ideal dignity of form. His dancing, large in scale yet ever elegant, has power and finesse. The role is comprehended and fully shown without the least mannerism or fuss.

As the two poles of the action, Nina Speranskaya and Yury Vetrov gave ideal portraits of the Lilac Fairy and Carabosse. Speranskaya, a beautiful woman, has effortless ease, a gracious presence and no less gracious line. Vetrov is, surely, the perfect Carabosse, combining malignity with humour and boldness of effects. By turns mocking and malevolent, he is the incarnation of that jagged, threatening theme by which Chaikovsky identified the force of evil. The Bolshoy's visit, be it gratefully noted, is sponsored by Western Motor Holdings PLC.

Clement Crisp

La finta giardiniera

THEATRE ROYAL, YORK

The work that comes between *Lucio Silla* and *Il re pastore* in the Mozart operatic canon, the work that all Mozartians salute and love as his first mature opera, has been added to the repertory of Opera North. The production, sponsored by Yorkshire Television, had its first showing on Tuesday in York, where it forms part of a short Mozart season (completed by Opera North's fine production of *Le nozze di Figaro*).

It is an exciting achievement, in many ways – and in spite of a première bedevilled by mishap and misfortune – a brilliant and revelatory one. Tim Albery (producer) and Tom Cairns (designer), creators of the magnificent Opera North-WNO *Trojans*, have devised a staging that is at once startlingly late-20th-century in style and imbued with the sensibilities of the period in which the opera was written (and ideally matched by Amanda Holden's witty, impudently colloquial, consistently fresh-sounding new translation).

The *dramma giocoso* for seven intricately involved participants is after all a very strange work – a comedy of manners that becomes streaked with raging passions and uncontainable emotions, matched by music that bursts the bounds of the libretto to explore a richness of substance and depth of feeling thrillingly out of proportion therewith.

The set for Act 1 takes the form of a contained space, garden and emotional cauldron in one, across which precisely chosen 18th century props are dotted with surreal fantasy. Colours are strong, undiluted, sharply contrasted; the impression of Classical perspective and proportion gone fascinatingly askew is filled out by the behaviour of the seven characters, who from the first, and well before madness strikes the disguised gardener-girl and her volatile former lover, carry on to absurd and hilarious excess – Mr Albery and his superbly talented young cast of British Mozartians have worked up a comic ensemble of a very high order.

In the "wild wood" finale of Act 2, the set itself is broken up and overturned, and the threat of chaos built up earlier is realised; a kind of order is then re-established in time for the re-awakenings and reconciliations of Act 3, and the total effect is coherent, powerful, and unexpectedly affecting. At Tuesday's performance the stage management for the latter part of Act 2 was disastrously noisy, making one fear that chaos was about to be all too literally demonstrated on stage; but once the production team has vanquished the various gremlins that beset them on this occasion, the cool intelligence and radical, subtle imagination that have funded their invention will no doubt be appreciated to the full.

"Who are these crazy people?" asks Nicholas Payne, Opera North's General Administrator, of the opera's characters in an admirable and heartfelt programme essay. "Remember that they are still young, vacillating and impressionable. Mozart himself was only 18, unsure and susceptible." It is an extraordinary feat, and one already within the company's grasp, to poise a staging of this opera exactly at that theatrical point where absurdity and seriousness, laughter and tears, youthful feelings at once exaggerated and overwhelming, can be blended and placed in a plausible dramatic context.

It was a still more extraordinary feat when one considers that on Tuesday the Opera North *prima* and *seconda donna*, Anne Dawson in the title role of Sandrina and Juliet Booth (Arminda), were both suffering serious throat infections – most of Miss Booth's performance had to be mimed to the singing (from the orchestra) of Ida-Maria Turri, while Miss Dawson got by (extremely well, in the circumstances) on technique. This must have thrown Alan Hacker's conducting somewhat off balance; even so, he drew from the orchestra much singingly expressive interweaving of instrumental voices, an unforced way of unfolding the score; and the Theatre Royal's open orchestral disposition made one realise anew how much Glyndebourne's period-instrument *Figaro* was handicapped by that theatre's deep pit.

The remainder of the cast can be praised without hesitation. The two tenors, Paul Nilon (Belfiore) and Nigel Robson (the Mayor), were utterly remarkable in their command of stage and vocal complexities; as the lower-orders couple Nardo and Serpetta, Peter Savidge and Linda Kitchen sang *cleanly* and skilfully; and in the tenderly romantic travesty-mezzo role of Ramiro, Katherine Steffan was appealing, a little rough in florid phrases (Ramiro's first aria is removed, a cause for regret). After York, this *Finta giardiniera* goes to the Cheltenham Festival, and is due for revival during the coming Opera North season; wherever it turns up, it is strongly recommended.

★

In Tuesday's notice of the new Glyndebourne *Figaro* I stupidly misnamed the Swedish soprano playing the Countess as Gunnel Lindblom: she is, of course, Gunnel Bohman. Apologies.

Max Loppert

Anything Goes

PRINCE EDWARD THEATRE

As the contemporary New York musical has nothing to offer London, we are now reduced to importing a 1987 Lincoln Center revival of Cole Porter's ocean-going film-flummery that made Ethel Merman's name and became the fourth longest-running Broadway musical of the 1930s. The most recent London revival, in 1969, disappeared without trace.

The idea of the original book by Guy Bolton and P G Wodehouse was to interrupt the Atlantic crossing with a shipwreck. But a real life disaster off the New Jersey coast put paid to that, and a couple of honest hacks, Howard Lindsay and Russel Crouse, strung the story out to no great effect.

It was always said that the songs in a Cole Porter musical were instantly detachable. This remains true, but only just, at the Prince Edward. The streamlined Lincoln Center version prepared by Crouse's son, Timothy, and John Weidman, suggests minimal contextual justification for each number.

The climactic Act One finale, "Anything Goes" is introduced by Elaine Paige, as the hot-gospelling evangelist turned night-club singer, Reno Sweeney, descending on a scene of farcical mix-up and mayhem. And an insertion from a previous show, "Goodbye Little Dream, Goodbye", is not only delicious in itself but also a poignant expression of a character's state of mind.

In performance, Miss Paige almost dispenses with the ghastly saccharine glissandi of the recording sycophantically trotted out by our public broadcasting station over the past few weeks. To say she begins to approximate to the one-woman brass section of Merman would be going too far, but she has certainly cracked the role's interfering dominance and made a virtue of torpid-chorus bossiness. And she has found a way of harnessing her strong lower mezzo range to the bounce and vivacity of the Porter music.

Miss Paige supervises a shipload of runaway FBI agents, Chinese laundrymen, an heiress and her silly-ass fiancé, and a crook disguised as a vicar.

While Porter's songs rhyme the infernal Dante with the great Durante, or Mahatma Ghandi with Napoleon Brandy, the dialogue is like a dry run for a Brian Rix farce, by which I do not mean to knock it. But the text evaporates in a thin air of no plot, the farce loses its dynamism.

Jerry Zaks's speedy, efficient, characteristically heartless production, can only clear the stage for some slick old-fashioned choreography by Michael Smuin, of which the middle sections of the title number and "Blow, Gabriel, Blow" are the highlights. It looks for a time as if Howard McGillin, repeating his New York performance as Billy Crocker, the broke broker who has smuggled himself aboard in order to pursue the heiress, will pull the show together.

But he, too, is just there for the songs. And what songs. "Easy To Love" was cut before the opening in 1934 and only restored in this revival. It is an item of ineffable distinction and melancholic beauty, and McGillin sings it as well as the pervasive microphoning system allows. The other major reinstatement is "Buddie, Beware" which Kathryn Evans in the soubrette role discharges with aplomb and a crowd of sailors.

Alastair Muir

Elaine Paige

As a musical, the show is quite literally all at sea, in spite of all Mr Zaks's indefatigable drilling. The band under the direction of John Owen Edwards is ranged across Tony Walton's nostalgic poop deck in nautical white uniforms, either side of a big funnel.

I especially enjoyed the work of Bernard Cribbins as Moonface Martin, the dubious vicar, who sings up a storm with Miss Paige in "Friendship." And Ashleigh Sendin is a splendid heiress, hitting another high point with Billy in a dramatically well placed "It's Delovely."

Michael Coveney

ARTS GUIDE

June 30-July 6

EXHIBITIONS

London

The Barbican Gallery. 100 years of Russian Art – a curious exhibition drawn from private collections in Russia, itself something of a surprise. As a survey it promises much more than it delivers, but in the earlier period of the generations immediately before and after the Revolution of 1917, it has much to offer, both *in terms* of the general context of early Russian modernism, and in the quality of particular works: until July 9.

Paris

Musée de la publicité. Alfons Mucha in Ivan Lendl's collections. Some 100 original posters by one of the foremost creators of Art Nouveau are shown. Mucha, catching brilliantly the fin de siècle mood, wreathes his red-headed beauties in flowers, swirling volutes and floating draperies. Having become the favourite artist of Sarah Bernhardt, his posters proclaim with equal success the excellence of biscuits Lu, Perfecta, bicycles and bouillon Maggi. Closed Tue. Ends July 17. 18, Rue de Paradis (Metro Chateau-d'Eau) (42461309).
The Louvre. Les donateurs du Louvre. Aptly, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. 10pm, all days except Tuesdays. Ends August 21. Entry through the Pyramid, Hall Napoleon, Niveau Accueil.
Daniel Malingue Gallery. A resolutely modern exhibition with works by Max Ernst, Miro, a suite of Fernand Leger's abstract watercolours and gouaches, Nicholas de Stael's red and blue shining landscape and an orange-coloured sunset. There is an early Picasso still life of apples and pears reminiscent of Cezanne. 26, Ave Matignon (42666063) closed lunchtimes, Sun and Mon mornings. Ends July 8.

Amsterdam

Boomelsaten Museum. The finest of the early Italain paintings in Dutch collections have been gathered together in a show containing works by Duccio, Guido da Siena, Filippino Lippi, Bellini and Carlo Crivelli. Ends July 9.

Brussels

Musée d'Art Moderne. Retrospective of the Belgian abstract artist Victor Servranckx (1897-1965). Closed Mon. Ends July 20.
Centre Culturel le Botanique. A sense of catastrophe – art in the 1960s shows works of American and European artists. Closed Monday ends August 13.

Frankfurt

'Je Suis le Cahier', the sketchbooks of Picasso. This exhibition of 40 sketchbooks and around 200 paintings, organised by the New York based Pace Gallery and sponsored by the American Express company, will have its second stop here in Frankfurt on the European tour. These fascinating sketchbooks, owned by Picasso's family have never been shown in public before.

Bonn

Kunsthalle am August-Macke-Platz, Hochstadenring 22. Centres, Residences and Metropolis in German History. This interesting exhibition, organised by Bodo-Michael Baumunk, has about 1,500 pieces on loan from private collections and museums. It is the government's contribution to Bonn's 2,000th anniversary. The ground floor of the Kunsthalle, with all walls painted black for effect, offers a view of important paintings, silver items, signets and personal distinctive belongings of German politicians, from the Middle Ages up to the present. Aachen is represented as the seat of Charlemagne, Nuremberg as the Emperor's city, Regensburg as the town of the everlasting diet and Frankfurt as the seat of Germany's first national parliament. There are also portraits by Kokoschka of Konrad Adenauer, Theodor Heuss and Ludwig Erhard. A reconstructed model shows the original layout of Berlin's famous Wilhelmstrasse, the location of the Prussian government and empire. In the postwar period the visitor traced the first years of the Federal Republic of Germany and its capital Bonn. Sketches and models for the Bundestag are on display as well as photographs of the first German Chancellor, Konrad Adenauer, who strongly influenced the political postwar development. Ends August 20.

Bremen

The Kremlin Gold. The exhibition, jointly organised by the Bremen Uebersee Museum and the Moscow Kremlin Museum, will coincide with Mr Gorbachev's first visit to Germany this week. This presentation of around 80 pieces of Russian goldsmith's art covers the early Byzantine period through to the beginning of the 20th century. It shows the different styles of the goldsmith's art such as filigree and enamel work in the 15th century, colourful decorations with precious stones in the 17th century, followed by the European influence of the 18th century. Bremen Uebersee Museum, Bahnhofsplatz 13. Ends August 13.

Stuttgart

Staatsgalerie, Konrad-Adenauer-Str. 30-32. Salvador Dali: (1904-1989). Stuttgart presents the biggest Salvador Dali retrospective since his death earlier this year, to honour him on his *85th birthday.* 350 works *from* all periods of his working life and from several collections, museums, galleries, from all parts of the world, except the Teatro-Museo in Figueras, his home, are to be seen. The exhibition, organised by Mrs Karin von Maur, who tries to explain how Dali's works can combine with the post-modern period, concentrates on his works from the 1930s (surrealism). Among them are pictures which have not been shown in public before. Ends July 23.

Vienna

Messepalast. A thoughtful exhibition, called the History of the Modern Mind, deals with the works of Sigmund Freud as well as the plethora of artists who grew up in Vienna at the turn of the century. Ends August 6.
Secession. An exhibition on Austrian interior design should not be missed. Some of Austria's younger generation are trying to continue the tradition of the fin-de-siècle movement. Others such as Adolf Krischanitz, who specialises in tables, has gone his own way. Ends July 16.

Rome

Villa la Farnesina, Via Della Lungara 230. Drawings from the Venetian and Lombard schools: 16th to 18th centuries. About 100 works from the National Graphics Institute's collection. Particularly interesting is the Venetian section, with nude studies by Tintoretto, works by Domenico Campagnola, a large group of sketches by Palma di Giovane, and two views of Rome by Canaletto. Make a point of seeing Rapahel's frescoes on the ground floor of the villa on the way out. Ends July 16.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes, Seurat's La grande Jatte, and Renoir's Madame Monet and Son. Ends Sept 4.

New York

Whitney Museum. The 65th in the long series of Annuals and Biennales features a large group of lesser-known artists among the 80 represented on three floors of galleries. Ends July 9.
Guggenheim Museum. More than 100 paintings and drawings by contemporary Austrian artist Arnulf Rainer reveal the unique imagery of a mystic vision translated into an abstract idiom. Ends July 9.

Washington

National Gallery. More than 400 images are part of a massive retrospective of the 150 years of photography, here represented by Alfred Stieglitz, Walker Evans, Laszlo Moholy-Nagy among dozens of others. Ends Aug 13.

Chicago

Art Institute. Master drawings from the Teyler Museum, the oldest in Holland, include nearly 100 works of two centuries by Michelangelo, Raphael and Rembrandt.

Tokyo

National Museum of Modern Art, Takebashi. Tatsuo Takayama retrospective. Although his early works show the influence of Gauguin, Takayama (born 1912), is noted as one of the few Japanese painters who have *managed to achieve harmony* between Japan's artistic traditions and the present. Closed Mondays.
Nezu Museum. Ceramics from the museum's permanent collection. Not only is this one of the finest private museums in Tokyo, but it also has a superb semi-wild garden which offers a haven of tranquility in the heart of the metropolis. Closed Mondays.

SALEROOM

Christie's clock up a record

Christie's is having a good week. On Tuesday it set an auction record for tribal art when a *Benin bronze head sold* for £1.32m, and yesterday it established a new high for a clock when an unrecorded miniature longcase clock by the most celebrated English clockmaker, Thomas Tompion, realised £880,000 to Asprey of London. Made around 1680 in London the clock, which has a case veneered in blond wood parquetry, turned up in Canada and was sent to Christie's for identification.

Clocks have been a dull area for ages but this was the best auction of them for 20 years and 72 items brought in a record £1,469,930, with only 3 per cent unsold. A bracket clock by Tompion, known as the "Sussex" because it *belonged to the Duke of Sussex*, a son of King George III, made £352,000, an auction record for a bracket clock. Christie's sold it in 1843 for £12 and in 1979 for £65,000, itself a record at the time.

Sotheby's had probably its most successful Old Master sale ever, totalling £14.3m with less than 4 per cent unsold. Old Masters are slowly attracting some of the money that has flooded into Impressionists, including Japanese yen. All the five top prices were *artist* records. A Murillo Virgin with the Child in swaddling clothes sold to the Japanese dealer Umeda Art Boeki for £1.7m. In the 19th century Murillo was *considered one of the greatest* Old Masters and this was one of his most popular engraved works. In 1853 it sold in London for a substantial £1,550.

The only major altarpiece by Tiepolo still in private hands, showing the Madonna of the Rosary with Angels, sold for £1.265m; a Venetian view by Canaletto, estimated at up to £150,000, actually made £968,000; and "Christ disputing with the doctors" by the 17th century Dutch artist Matthias Stomer *realised £660,000*. An unknown 14th century Florentine gold ground Madonna and Child, which Sotheby's attributed to Agnolo Gaddi, sold for £660,000 as against a £100,000 top estimate.

Among a trio of women artists whose work was on offer a still life by Louise Moillon did best, doubling its estimate at £242,000. The same price secured a portrait of the Italian soprano Angelica Catalani, painted in 1806 by Elizabeth Vigée Lebrun, the official portraitist of Queen Marie-Antoinette. It was sold, on target, by the Kimbell Art Foundation of Fort Worth Texas. Also on estimate was a portrait of a mother and child by Adélaide *Guiard which* made £44,000.

Antony Thorncroft

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Finance in distress

FINANCIAL intermediation is the heart of a market economy. If the heart is beating healthily, the level of investment will be far above that possible when each investor is self-sufficient and the flow of savings will be directed where they offer the highest prospective returns. But any such market in promises and hopes is vulnerable both to fraud and to cycles of euphoria and panic. It is not surprising that governments have become extensively involved. Things can still go wrong, despite or sometimes because of that involvement, as has been shown in the case of savings and loan institutions in the US.

Problems of finance in developing countries, recounted in this year's excellent World Development Report, are in no way unique. But their scale is overwhelming. As the report remarks: "Non-performing loans in many developing countries are now 20 per cent of total loans and in some cases more." At such levels, the financial system is bankrupt. For this mess, there are two principal explanations: fiscal policy and the role of directed lending.

Inflationary explosion

In 1984, the public sector borrowing requirement was as much as 15 per cent of gross domestic product in Argentina, 11 per cent in Chile, 8 per cent in The Philippines and 13 per cent in Yugoslavia. The report shows that between 1975 and 1985 38 per cent of central government finance for a sample of developing countries came from abroad, 47 per cent from central banks and a mere 15 per cent from other domestic sources. There can be no surprise, therefore, that the loss of access to foreign finance after 1982 led to an inflationary explosion, with the inflation tax at 4 or 5 per cent of gross national product in several countries.

An environment of high and variable inflation is one in which normal financial intermediation is impossible, but problems have been made still worse by the practice of supplying rationed, highly subsidised loans to favoured sectors of the economy. Quite apart from the waste of resources, such subsidies must be financed. "In Brazil in 1987 (the subsidies) were often estimated at between 4 and 8 per cent of GDP." Subsidised credit programmes also create a politically influential class of borrowers whose members believe repayment is optional.

New start

All this was tolerable in the easy financial environment of the 1960s and 1970s, but chickens came home to roost in the 1980s. In many developing countries, the combination of high inflation, devaluation, slow economic growth and soaring real interest rates has destroyed the financial system. The only advantage of the devastation is that governments must start over and, in some cases at least, are aware of the need to do so. The report encourages them along this path by showing the benefits of financial reform. "Although the rate of investment was only 17 per cent higher in the countries with positive real rates of interest, the average productivity of investment was almost four times higher."

How then are the developing countries to cure the disease? The report suggests there are four main lessons from past efforts at reform: first and foremost, macroeconomic stabilisation is essential; second, where prices are distorted, financial liberalisation may make things worse by causing the financial system to respond more flexibly to bad signals"; third, "direct intervention in finance must be replaced by an adequate, if less invasive, system of laws and regulations"; finally, the losers from liberalisation may have to be bought off.

Perhaps the most important lesson of the 1980s is that highly distorted economies can survive in benign environments, but will collapse when things get more adverse. The difficulty in the area of finance is that a complete withdrawal of government interference is unwise. While the worst maladies can be cured thereby, preventive medicine remains a permanent necessity. Developing countries can console themselves that, once they have rid themselves of their most egregious errors, they need do no worse than the world's greatest economic power.

Few cheers for the water sale

THE completion of the Water Bill this week has earned the Thatcher Government little credit; even staunch supporters of the Government's privatisation programme have expressed disquiet at the way in which these impregnable monopolies are being sold.

Perhaps the Government's strongest argument is that the present Soviet system of running Britain's industry – by the politicians for the people – has produced abysmal results. Polluted beaches, disgusting rivers, unacceptable levels of impurity in drinking water and inadequate investment have once again been capped by that hall-mark of socialist economics, rationing.

Surely, the Government says, the private sector can do better. The answer must be: not necessarily. Perverse *incentives to skimp investment* and lower standards will be provided at least as much by the profit motive as by the old political reluctance to increase charges or public borrowing. In a monopoly needing huge capital investments often unrelated to sales volumes, the public interest can only be guarded by strong, subtle and pervasive regulation.

The Government will answer that its Bill recognises the need for a strong regulator, and that the specific duties laid upon him will create some glasnost amongst all this perestroika. More public debate about improving standards of water treatment and sewage disposal is long overdue. But the Government's plans raise other difficulties.

At the heart of the new system is a separation of regulatory powers, with very uncertain consequences. The Government retains authority over purity standards, with due regard to EC regulations; the new National Rivers Authority will take charge of integrated river basin management. Then the Office of Water Supply is given the difficult task of ensuring that consumers are not charged excessively for the investments required, *inter alia*, by the other regulatory authorities.

While few now dispute that higher standards are needed and that the cost must be met by consumers, the division of regulatory powers could well create big difficulties in future about the trade-off between quality and cost. Ideally, these should be considered together, not in separate agencies.

It also remains unclear how tightly the regulator will be able to supervise the internal operations of water companies. The need arises because because the Government has been forced by the peculiarities of the industry to move close to the US system of setting prices to yield a "fair" rate of return on capital employed, in this case with with some allowance for efficiency gains or the sale of land. This is all absorbed into a mysterious K factor set by the regulator.

The snag, as US regulators have found, is that this system gives utilities an incentive to exaggerate their need for investment and to increase internal costs, a practice which will be all too easy in the turmoil which follows privatisation. The regulator's office will require experience to ensure that tariffs provide exactly the right balance of pain and reward. And it is more than doubtful whether the regulator has adequate powers to insist that the structure of charges is economically efficient as well as fair.

Meanwhile each water board is scrambling to negotiate the endowment of a nice fat K which will cushion it from too much regulatory pain in future. It is hard to be confident that in the very limited time available, civil servants can get the balance right, especially when confronted with the political imperative of making all 10 water boards attractive to the City.

Indeed most of the difficulties with this privatisation arise from the Government's arbitrary timetable. A more evolutionary approach, perhaps involving the sale of a few of the boards, could have allowed much more time for analysis, public debate and the accretion of regulatory experience. As it is, there is still a serious risk that it will turn out to be a botched job, which would have been better unattempted.

ECONOMIC VIEWPOINT

No miracle, but a start

By Samuel Brittan

The argument about whether the balance of payments or inflation is the fundamental constraint on British growth has been running since the early 1970s when the Cambridge Economic Policy Group under Professor Wynne Godley first advocated import controls. Prof Godley would argue that the resolution of the dispute was postponed for a decade by North Sea oil, but that the balance of payments interpretation will all too soon be vindicated by events. Fortunately he has now abandoned import controls in favour of "EC regional policy" and "monetary and fiscal co-operation."

But this does not detract from his view that, so far from having experienced an economic miracle during the decade of the Thatcher Government, the UK is in a "predicament of staggering magnitude." This is the claim made by Prof Godley, in an article written with Ken Coutts to appear in the next issue of The Political Quarterly.

The bulk of the Political Quarterly article – in contrast with Prof Godley's own interpretation in yesterday's Guardian – consists, however, not of crystal-gazing but of a large number of charts covering many aspects of the Thatcher and earlier periods. The neutral reader who sticks to the charts and formulates his own interpretations should find common ground with, for instance, my Esmee Fairbairn Lecture on the Thatcher Government's economic policy, published earlier this year by the Economics Department of Lancaster University.

My provisional verdict was different from that of Prof Godley and Mr Coutts. It was neither "miracle" nor "staggering predicament"; but that the Thatcher Government had "done something to create the conditions in which Britain could start to catch up with its partners and competitors." Of course I listed qualifications.

But to Mr Coutts and Prof Godley these are all secondary to the UK balance of payments deficit, which accounts for the severity of their verdict and is in their view at the root of all the other problems.

Readers will be familiar with the opposing view that the payments deficit matters only to the extent that it is a symptom of inflationary pressure. The root of high unemployment and inadequate growth is found in whatever causes inflation to take off at successively higher rates of unemployment in each new business cycle.

The issue is illuminated by a table in the June OECD Economic Outlook which shows that in the biggest seven OECD countries (which together have a positive balance or surplus with the rest of the world) the capacity utilisation rate in industry was about the same in 1988 as in 1969-73, the last period before the first oil price shock. Yet unemployment was on average nearly four percentage points higher in 1988. The deterioration was concentrated in the European countriee where unemployment rose from an average of 3.4 per cent to 10.1 per cent.

There are many theories about why the relationship between capacity ntilisation and unemployment deteriorated. But the balance of payments cannot be an explanation for the group as a whole, especially as the relationship also deteriorated in surplus countries such as Germany.

Prof Godley and Mr Coutts, who focus on the UK, regard the payments deficit as the main constraint on growth and employment. They doubt whether Britain will be able to finance the present £18bn per annum deficit (as recorded in the rather dubious balance of payments statistics) for long; and they envisage the deficit rising to £40bn or £50bn if the country were to attempt growth at the average of 2½ per cent per annum required to prevent a new rise in unemployment, let alone the 2¾ per cent envisaged by the Treasury in the Budget Red Book. On the Godley-Coutts view nothing remotely like this can be envisaged without putting the UK into the status of a heavily indebted country with dire consequences for living standards and political stability.

On the historical record their charts suggest a more even-handed verdict. The 2 per cent per annum growth rate achieved since 1979 (give or take the odd decimal point) is undoubtedly less than for earlier decades. It was also lower than that achieved by Jepan and the US, which under President Reagan performed much better than generally realised. The British growth rate under Mrs Thatcher, however, was substantially faster than Germany's during the same period and slightly faster than France's. It was outperformed by Italy, a country whose statistics are dicey; but then so are Britain's.

The manufacturing record was better. Output rose as fast during the Thatcher decade as the one that preceded it although less than in the 1960s. Output per head, on the other hand, which has risen by some 4.3 per cent per annum since 1979, outperformed both earlier decades.

Export and import trends in manufacturing seem from the *Political Quarterly* charts to have been almost exactly the same before and during the Thatcher era, with the first rising by 2 per cent per annum as a proportion of GDP and the second by 6 per cent. The payments deficit was held at bay first because the UK started with a higher absolute volume of manufacturing exports than of imports and second because of the cushioning fector of North Sea oil.

But before anyone puts his head into a gas oven he should also refer to a close examination of the most recent years in the Economic Journal of March 1989 (summarised in "Export Consequences of Mrs Thatcher" by Andrew Snell, Financial Times, June 28). This suggests that the declining trend of UK exports as a proportion of world trade came to a decisive end in the mid 1980s. If, in addition, the very rapid rise in imports over the last couple of years is mainly due to excess demand, then the prospect is not so bleak even on a conventional view of the importance of the balance of payments.

The Political Quarterly authors break new ground in compiling a series for private investment uncontaminated by the shift of boundaries during privatisation, or by public sector sales of land and existing houses to the private sector. Even on the revised basis the chart shows that investment has performed well, at least during the latest Thatcher years.

Some of us will worry that unemployment has been much higher during the Thatcher period than before. But there have also been large increases in other countries, especially in Europe as already mentioned, which rather discounts the effect of "Thatcherism" one way or the other. On a standardised OECD basis British unemployment has now dropped below that of France and Italy but has overtaken that of the US.

The proverbial visitor from Mars, taking a quick look at the Political Quarterly figures, would probably wonder what the fuss is about, seeing the Thatcher record as better in some respects than previous periods and worse in others.

Someone wanting to make a positive case for a breakthrough would have three possible strategies:

● He can look at the figures, not since 1979 but during the post-1981 upswing, which has been longer and more impressive than during past upswings. But conclusions based on a partial cycle are extremely tentative and can easily be upset by new data.

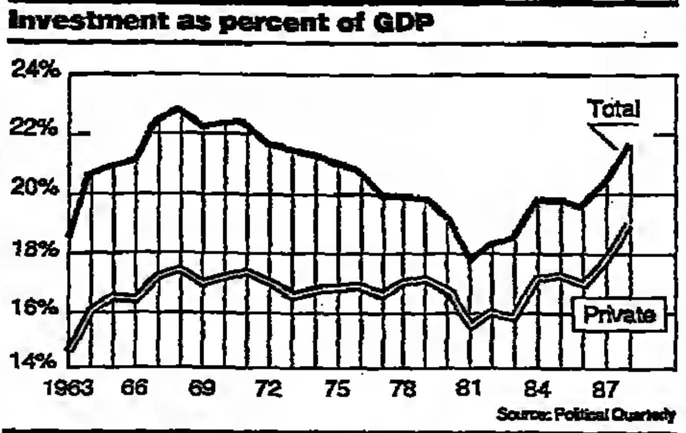
● He can concentrate on what business leaders are saying about the improvement in performance and the climate of management. This anecdotal evidence can be augmented with a critique of under-recording in the official statistics, especially for output in the service sector, as has been done by the CBI's economic adviser, Professor Doug McWilliams in a couple of notable lectures.

● He can concentrate on the watershed year of 1973, when the first oil price increase brought to an end the post-war Golden Age of growth throughout the western world. This watershed is hidden by the Godley comparisons of decades, which puts together years before and after 1973.

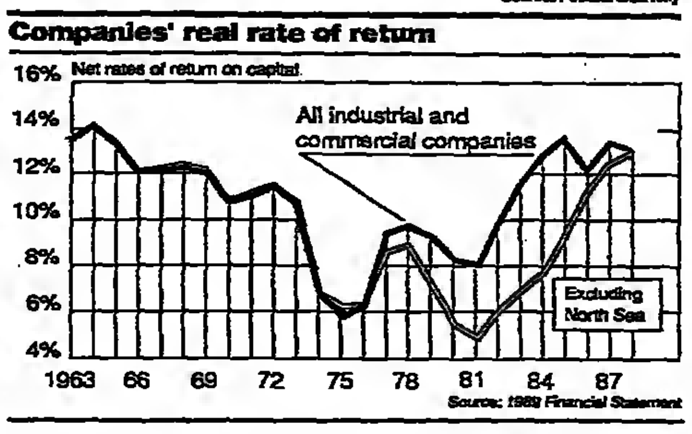
If comparisons are made with the complete economic cycle 1973-79 then the Thatcher period does mark a definite turn for the better. The validity of this line of analysis is supported by the chart of real corporate rates of return, excluding North Sea companies, which I have taken from the Red Book. This shows a very impressive improvement going way above anything achieved in the Heath or Callaghan years but still not quite as good as in the early 1960s, when Harold Macmillan and Selwyn Lloyd both thought that we had economic problems.

British business in the Thatcher years deserves two cheers – for arresting a process of decline relative both to its own earlier past and to European competitore. The ground may have been prepared for e more decisive breakthrough, but it has not yet occurred.

Investment as percent of GDP



Companies' real rate of return



BOOK REVIEW

Transnational consequences

MANAGING ACROSS BORDERS
By Christopher A. Bartlett and Sumantra Ghoshal
Harvard Business School Press, $24.95

For the first few years after the market for fabric softeners was created around the world in the late 1960s, America's Procter & Gamble maintained a stranglehold in the US, West Germany and other markets where it had launched ahead of the Comfort brand of its great Anglo-Dutch rival, Unilever.

The European company was able to fight back only when it resorted to various organisational innovations in order to encourage (rather than force) a successful brand concept developed by one of its subsidiaries – in West Germany – to be transferred to France, Italy, Spain, Australia, the US and, most recently, Japan. The concept, under different national names, was based on a cuddly teddy bear symbol.

Unilever has worked the same trick with increasing frequency, "globalising" successful local innovations from such unlikely countries as Finland (Timotei shampoo) and South Africa (Impulse body spray). Before that time, attempts to transfer brand concepts from one country (mainly the UK) to another by head office fiat had proved ineffective, and most of its new products in markets around the world were developed locally.

The shifting organisation needed to stimulate and manage cross-border innovation flows, sometimes from one part of a company, sometimes from another, are part of the flexible armoury needed to compete in today's volatile and complex global marketplace, according to this weighty but highly readable book.

By distributing responsibility for product development, manufacture and marketing differently around the company according to the needs at particular times of particular businesses and products – and the shifting strengths of the national units involved – Unilever is becoming a flexible "transnational," according to Bartlett and Ghoshal, who teach management at Harvard and Insead business schools respectively.

They use this term, as distinct from "multinational" or "global company," to describe an organisation capable of achieving a flexible balance between centralisation and decentralisation, without running into the sort of bureaucracy and internal backbiting which have beset companies which sought to find balance in the past by installing rigid matrix structures. Instead of basing organisations on crude general principles of centralisation and decentralisation, say Bartlett and Ghoshal, the challenge is to define the requisite balance between them on a case-by-case basis.

Like Electrolux, the emergent Swedish "transnational" which was the snbject of a Management Page series late last month, Bartlett and Ghoshal say that Unilever has developed a way of assigning and co-ordinating roles throughout the company which avoids excessive centralisation, headquarters overload, and inflexible formality.

Bartlett and Ghoshal attribute this success partly to the tendency of European companies to co-ordinate themselves through socialisation ("creating a matrix in managers' minds"), rather than by the usual US method of formalism.

That is not to say that US companies are incapable of achieving "transnational" status – they simply find it harder. If there is a star company in the book, which is packed with detailed examples of organisational success and failure in nine European, US and Japanese companies, it is Procter & Gamble – which was traditionally very different from Unilever in much more than just nationality.

The Unilever-P&G contrast underlines the book's central theme: that, regardless of their traditional strategies and structures, multinationals of all kinds are now being forced to converge on the "transnational" model in order to achieve global economies of scale while remaining (or becoming) responsive to market differences around the world.

Whereas Unilever used to be organised as (what Bartlett and Ghoshal call) a "true multinational" – a portfolio of national entities operating independently – P&G was traditionally an "international" company, which took the parent company's knowledge and diffused it around the world, with products and marketing strategy adapted locally.

Now, say the two academics, each of these companies, as well as others which they classify as "global" (including Japanese companies such as Matsushita), is becoming gradually a flexible, integrated network of interdependent units.

By also drawing deeply on the organisational learning experiences of companies such as Ericsson, Philips, NEC, General Electric of the US and ITT, Bartlett and Ghoshal shed considerable light on the difficulties of building a transnational.

Along the way they throw up valuable lessons *for companies in a wide range of industries and sizes* – indeed, almost any organisation operating *several different* businesses across borders. One *does not* have to be big to suffer from the strain of inflexible systems, or from the burden of an ill-designed matrix.

Christopher Lorenz

To be published in the UK by Hutchinson Business Books, £25, in early September.

OBSERVER

From tennis to the top

■ John Thornton was groomed as a professional tennis player and would like to become US Secretary of State, or something approaching it. Meanwhile, he is the head of mergers and acquisitions in Europe for Goldman Sachs.

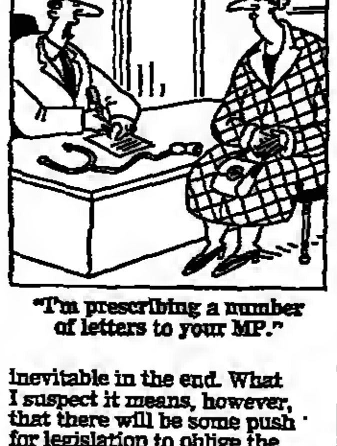
Thornton is one of those Americans with a remarkably clear idea of where he has been and where he wants to be. At the age of 14 he says that he was beating Vitas Gerulaitis – a Wimbledon doubles champion in 1975 – "quite handily." He played tennis for Harvard and was an Oxford Blue, though the latter, he adds, *already meant going downhill*. He decided that "other than athletically, tennis players *are* not very ambitious." He was about to read law at the Middle Temple, but switched to Wall Street, then Yale.

It was Yale that determined him to go into public life eventually. The late Kingman Brewster, who was the President, set up the Yale School of Management, which was meant to be quite different from its Harvard counterpart. The idea was to train people who could equally well be President of IBM, Defence Secretary or head of the Metropolitan Museum of Art. Thornton was attracted.

In his vacations he taught tennis professionally, worked *for* Senator Edward Kennedy and had a spell with Goldman *Sachs. He says that he turned* to M&As because "they represent *the closest thing to high* level public sector decision-*making." Contrary* to general belief, he insists, "M&As are *not driven by finance. They* are about melding different *interests and constituencies."*

Thornton cites Goldman *Sachs selling BCal to British* Airways as an example: "The issues involved were public policy in nature." It was also the *handling of* the BCal sale that signalled that Goldman *Sachs – and Thornton –* had made it in Britain. By now it has *made* it in *continental* Europe as well. Last year it became the first non-French firm to advise on the sale of a French public company: the paper concern, Aussedat-Rey. Typically Goldman Sachs will be engaged on the defence side of a bid.

Thornton, however, is still planning a role in public life. Traditionally, he says, there have been three routes in: "Through education, like Henry Kissinger, through law, like Cyrus Vance, and through the business world." But he *is not moving yet and does* not expect to start at the top. Besides, he is a Democrat and the time is not ripe. "Perhaps *in another 10 years," he sug*gests. Thornton is 35.



"I'm prescribing a number of letters to your MP."

Last sailing

■ This is the last time that the Tall Ships will visit London: in future the Dartford Tunnel bridge will prevent them. But they are here now – about 100 of them on either side of the Tower Bridge – and will stay till Saturday when they set sail on the Cutty Sark race to Hamburg. Go and see them not only because they are a splendid sight in their own right; the river around them is now bustling with life. And if you want a microcosm of contemporary London, have a look at nearby Tooley Street with its mixture of doss-houses and smart new restaurants.

Press law

■ The Home Office has chosen a lawyer not a journalist to head the inquiry into the conduct of the press following the cases of intrusion into private lives, which was, I suppose, inevitable in the end. What I suspect it means, however, that there will be some push for legislation to oblige the press to put its house in order.

David Calcutt QC, the man chosen, is the President of Magdalene College, Cambridge and has no shortage of experience of committees and arbitration. He has been chairman of the Civil Service Arbitration Tribunal since 1979 and President of the Lloyd's of London Appeal Tribunal for the last two years.

Nevertheless, exploring the ways of the press can be a thankless task. Committees of inquiry into its behaviour have a habit of not being acted on, and there is usually e last ditch promise oo the part of the press to reform itself.

The pressures which have led to the formation of the Calcutt Committee have arisen from back bench MPs, both left and right wing, who believe that there should be legal measures to protect the privacy of individual citizens and to allow the right of reply to newspaper articles. The present Government is not in favour of this, but was obliged to set up the inquiry to ward off the back benchers. Yet if Calcutt does not recommend statutory action, the back benchers will be back again with Private Member's Bills of their own.

Calcutt must know that; so do the press. It puts the onus on the newspapers to behave while he conducts the inquiry.

Overdoing it

■ We know that the Government is pressing Britain's universities to become more commercially-minded, but this seems to be pushing it.

A colleague telephoned Birmingham University's careers officer, Ian Davies, yesterday seeking information about graduate recruitment into the advertising, marketing and public relations industries. Davies told him he *would* be charged at the rate of £50 an *hour for time spent on inter*views or correspondence, even though some benefit might result for Birmingham's own graduates. We thought it was only pop stars and sports stars who behaved like that.

Lucky number

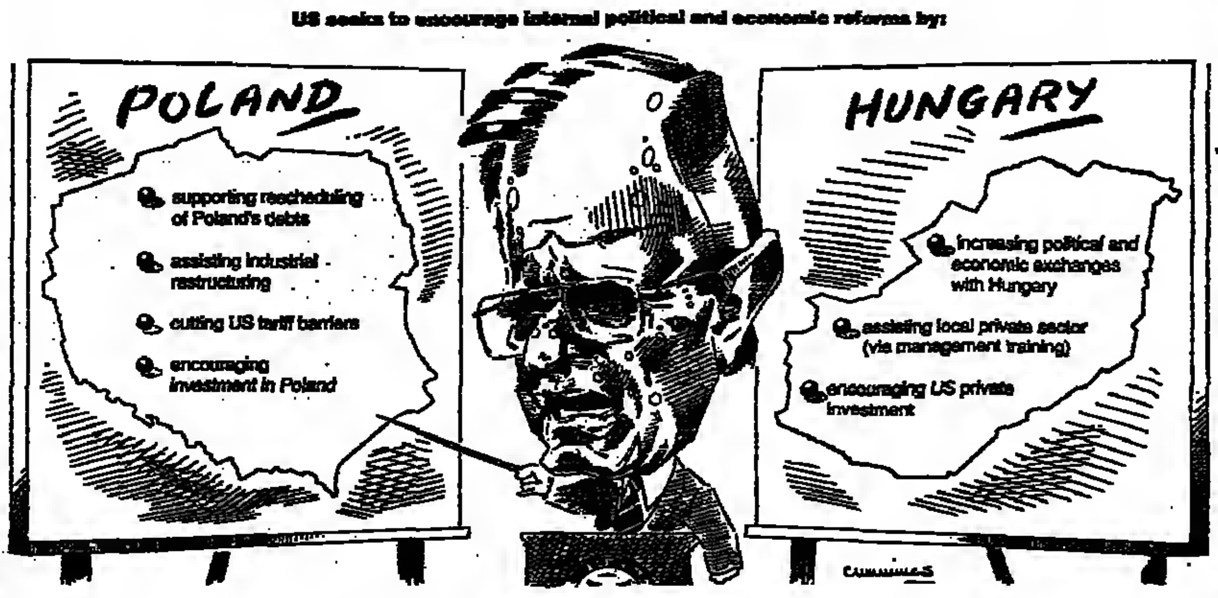
■ Once a year seems often enough to visit a casino and play roulette. On Tuesday night there was a game going at the Beaulieu Vineyard Summer Ball at the splendid Kensington Roof Gardens. To the growing embarrassment of the croupier, the number four came up five times in about ten minutes. Is this a record? The number continued to come up, though slightly less frequently, as the night went on.

Commercial

■ Sign outside a Hampshire village store: "Motorway 1 mile. Use of loo £1. Free if you buy something."

هكذا من الاصل

Peter Riddell reports on what President Bush will be saying on his trip to eastern Europe next week



Limited aid for an escape from the past

President George Bush's visits to Poland and Hungary next week are certain to be successful. The worry in Washington is that they will be too successful – that expectations about what the West can do to assist economic and political reform in eastern Europe will be raised too high, only to be dashed later.

Yet for all the characteristic caution of Mr Bush and his advisers, they are excited by the current opportunities in Poland and Hungary. Mr Bush has been very interested in Poland since his visit in September 1987 as Vice President, when a meeting with leaders and supporters of Solidarity moved him greatly.

The visits have great symbolic importance. They dramatise the collapse of the system of Soviet dominated one-party centralism which led to the division of Europe in the 1940s. Stalin's refusal to permit free elections in Poland, as agreed at the Yalta summit, was the direct cause of the estrangement between the US and the Soviet Union. Next Monday in Warsaw, Mr Bush will address members of a parliament in which the communist party was humiliatingly defeated by Solidarity in free elections. Similarly in Hungary, Mr Bush will meet leaders of non-communist parties, the inheritors of the tradition so brutally crushed by Soviet tanks in 1956.

For Mr Bush the visits matter in establishing his leadership of the West, building on his success at the Nato summit five weeks ago. There is also an element of personal competition with Mr Mikhail Gorbachev, the Soviet leader. Mr Bush last week revealingly commented that "Mr Gorbachev goes to western Europe and is well received, and I will go to eastern Europe and I will be well received."

Yet there are no illusions in Washington about what happens after the cheering stops. Poland faces a crisis of political authority as well as appalling economic problems of rampant inflation and industrial inefficiency. While further advanced economically, Hungary is also only part of the way along the road from state centralism to a market economy.

Reform leaders in both countries are looking to Mr Bush to provide both a lead and assistance. Parallels have been drawn with the Marshall plan of 40 years ago, under which the US helped to rebuild the economies of western Europe, thus stopping the advance of Soviet influence. But now the Bush administration has specifically ruled out a repeat of such huge assistance. US officials point to the large-scale loans that eastern Europe received from the West in the 1970s, which propped up the existing regimes without forcing necessary structural changes. And there is also, in the US view, an important difference between the late 1940s and now. Precisely because the original Marshall plan worked, western Europe is thriving, and therefore able to make a contribution to eastern Europe's development; the private sector is also able to do more. Put more bluntly, the US Government does not have sufficient money to offer large-scale help on its own.

So any foreign support for Poland and Hungary will rest on two principles. It will involve several Western countries and there will be no unconditional bail-out. Instead, there will a package of measures, in co-operation with the private sector, specifically linked to progress on reforms.

Yet US officials admit to a dilemma now that reformers and, in Poland, non-communist groups are directly involved in political decisions. There is the publicly unspoken fear that Solidarity as a labour union could fragment if it has to bear the strain of implementing changes to improve industrial efficiency which will hit the short-term interests, and already low living standards, of its members. One senior administration official recently commented, "it would not be wise for the West to let people suffer the consequences of major economic failure or collapse if they are going to be held at least partially responsible for the outcome."

Similarly, Mr Robert Blackwill, special assistant to the president on European and Soviet affairs at the National Security Council, said in a recent public speech that the US did not want to transfer resources which would shore up totalitarian regimes in these countries. But "we don't want to be so niggardly in our resources that the kind of political legitimacy which is required doesn't form because the economic prospects are so dim."

This has produced an approach of conditional generosity. For instance, the US is taking a sympathetic view of Poland's desire to reschedule its $39bn of external debts in discussions among the Paris Club of creditor western nations. The US is not insisting that any rescheduling plan ha dependent on Poland reaching agreement with the International Monetary Fund on an economic recovery programme, as is normally required. This is to clear the decks and to demonstrate the commitment of the main industrial nations to Poland's reforms, as is likely to be underlined in the communiqué at the end of the seven-nation economic summit in Paris in 10 days' time.

The US has ruled out a repeat of the Marshall plan under which it helped rebuild western Europe

In addition, a number of bilateral measures of support are under discussion. But difficulties here have been underlined by the postponement of a planned visit to Poland by Chancellor Helmut Kohl of West Germany following a failure to agree on an economic aid programme.

More generally, the West is agreed that Poland needs to get its own house in order – both politically, by forming a stable government, and economically, by producing a reform programme – before new money will be made available on any scale. An International Monetary Fund team recently visited Warsaw and came back horrified at how bad the country's economic situation was. Talks are continuing – a Polish Minister has just visited Washington. But no IMF loans are likely to be available until there are specific and credible proposals to rein back the public sector and improve industrial competitiveness. Ambitious $10bn rescue plans of the kind suggested by Solidarity and its Western sympathisers are seen in Washington as impractical.

The US and other Western governments are insisting that, in negotiations on any substantial World Bank support for Polish investment projects, unlike the Paris Club talks, there should be a link with the need for a Polish agreement with the IMF. The World Bank has been holding discussions about $300m in loans to help exporting industries but it is seeking clear evidence of Polish moves towards a more market-based system.

The US is prepared to assist Poland's industrial restructuring in ways other than direct financial support. Proposals put forward by Mr Bush in mid-April to reduce US tariff barriers on imports from Poland and to provide insurance-type guarantees for private US business investment there by the Overseas Private Investment Corporation are near approval by Congress. In addition, Mr Bush is likely to announce various forms of economic advice, particularly to help with the serious environmental problems of Poland.

These measures were specifically presented as a response to the agreement on free elections. Further help will be made conditional on moves towards a free market and political pluralism.

This is also the approach being adopted in relation to Hungary which – though attracting much less attention in the US than Poland – is viewed much more optimistically by many American officials. Hungary has already moved further away from state centrism. Mr Mark Palmer, the energetic US Ambassador in Budapest, believes the West should be designing "a comprehensive network of relationships that makes the borders irrelevant."

Economically, this means encouraging the US private sector to participate in projects in Hungary. The Hungarian government will be urged to change controls and taxes which limit investment and repatriation of profits. (A similar approach will be taken in Poland.) Second, it involves assisting the growth of the Hungarian private sector. Some of the help is likely to be basic, in accounting and management techniques. There is talk, for instance, of US support for a course on entrepreneurship at Karl Marx University in Budapest. Other ideas include the privatisation of state enterprises to a mixture of foreign and local investors. The International Finance Corporation, a World Bank affiliate concerned with encouraging the private sector, already has five projects in Hungary.

Politically, the US envisages not only encouragement for non-communist parties but also direct help. Some is already being channelled by the West German political foundations and through the congressionally financed National Endowment for Democracy in Washington. Again, help is often basic: elementary political organisation, office equipment and opinion polling techniques.

President Bush and other Western leaders face a careful balancing act: offering help without alarming the Soviet Union. There is no US challenge to Polish or Hungarian membership of the Warsaw Pact. Mr Bush has repeatedly stressed that his aim is not to undermine legitimate Soviet security interests. This week Mr Bush told Polish journalists he wanted to see changes that "would result in the Soviets feeling comfortable in taking their troops out of Poland."

President Bush's advisers will regard his visits to Poland and Hungary as a success if he can not only encourage further internal reforms without raising false hopes, but also help make it politically more difficult to undo the changes.

LOMBARD

Economic growth: please try later

By Hugo Dixon

MONETARISM IS dead. Long live Telecomism.

The world's economic statistics are in disarray. Current account figures are riddled with black holes, giving the impression that Planet Earth has a deficit of $100bn with the rest of the universe. Statistics on savings ratios have become so unreliable that they cease to measure what they pretend to. And few people have much faith in that notorious money supply trio – M0, M3 and M4.

The result is that policy-makers are making decisions blindfolded. It is usually possible to find out what has happened to the economy several months after the event. But anybody looking for a flash indicator of what is happening today would do just as well feeling the seat of their pants.

But don't despair. A couple of academics from the London-based International Institute of Communications have come up with the enterprising idea of using telecommunications traffic as a way of keeping a finger on the pulse of economic life.

This idea has a lot of intuitive appeal. Almost all business activity nowadays is associated with using the phone, fax or other telecom device. Telecommunication systems are used for buying goods and services, finding out information, setting up meetings, cutting deals and a whole assortment of other activities.

At the end of the 19th century, figures on the number of railway cars moving around the US were awaited eagerly by Wall Street. Even today, financial newspapers are full of statistics on tonnes of steel, barrels of oil and numbers of cars produced.

While these traditional measures may have had some relevance in the past – when the economy was dominated by manufacturing industry – they mean less in the modern information age. They do not capture what is happening in the fast-growing services industries, nor do they help track the black economy.

Minutes of telecom traffic (MiTTs) are more useful because telecoms nowadays reaches parts of economic life ignored by the old-fashioned approaches. MiTTs are not skewed towards the manufacturing sector. They can even shed light on aspects of the black economy such as the cocaine industry, as anybody who has examined the extraordinary telecoms traffic between Colombia and the US will know.

The intuitive feeling that MiTT is a good flash indicator of business activity is backed up by econometric modelling. Although such evidence should always be taken with a pinch of salt, the IIC economists show that outgoing international traffic makes a particularly good fit. Using outgoing international traffic as a measure means ignoring domestic business calls but it also excludes a lot of social chit-chat.

A further advantage that MiTTs have over traditional statistics is that the data are much easier to collect. Instead of trawling round thousands of companies to compile a set of figures, all that is needed in most countries is to speak to the monopoly telecoms operators which already have sophisticated systems monitoring telecom traffic for their own use. Even in a liberalised economy such as the UK, it would only be necessary to gather figures from British Telecom and Mercury Communications.

The small number of operators has two further advantages. First, errors are much less likely to creep into the statistics. Second, the statistics could be published almost instantaneously, avoiding the problem of indicators being out of date by the time they are available.

All this means that BT, AT&T and the Bundespost are probably the best economic consultants we have. The snag is they do not divulge figures.

Nevertheless, it is worth remembering that it took two Acts of Parliament in 1833 and 1844 before the Bank of England could be persuaded to publish figures on the money supply. Similar pressure from governments may be needed before Telecomism can get off the ground.

Telecom Traffic Statistics – MiTT Matter, by Gregory Staple and Mark Mullins. Published in the June issue of Telecommunications Policy.

LETTERS

A 'rational' broadcasting system

From Mr Tim Renton MP.

Sir, You have been generous in the space you have given to the debate on quality and the *competitive tender for Channel* 3 broadcasting licensees in the 1990s. May I have a final bite at the cherry in reply to David Plowright's letter (July 4)?

Mr Plowright compares the process by which the IBA allo*cated licences to* that by which a pope is elected. That was indeed the problem with it. The process was opaque, the reasons for the decisions hidden. Some sitting tenants, like Granada, got their licences renewed; others lost their licences without any clear explanation. Newcomers were rejected without reasons given. White smoke for some, the black spot for others. Both we and the independent television industry want and need a more open, rational system. The prescription we have written aims to achieve just that.

On quality, the titles Jewel in the Crown and Brideshead Revisited are constantly brought up as citations for excellence in the present system. The very repetition emphasises that there are not yet enough jewels around. Given imaginative franchisees in the 1990s, and a careful watch by the ITC, more choice and more variety can surely lead to the individual finding more of the quality that appeals to his particular taste and interest.

Tim Renton,
Home Office,
Queen Anne's Gate, SW1

The days when quality was the yardstick

From Mr T. Hoseason-Brown.

Sir, When my colleagues and I set up Harlech Television in 1967 the yardstick by which we were judged was quality of programming. This was held by the IBA to be the most important factor in deciding on the award of the franchise. We did our best to achieve this goal.

British broadcasting was head and shoulders above the American, and, indeed, the European broadcasting services. This is not hearsay; I visited the US in the early 1960s in order to see for myself how they operated their radio and television stations. I came back to England not just thinking, but knowing, that the quality of our programmes was infinitely superior to those of the US. One of the reasons for this was that we did not have a free-for-all.

In a frenzied rush for free competition the Government will have, at a stroke, demolished the whole framework of the television industry and rendered almost valueless assets in the shape of buildings and equipment which will now be redundant. This is because any cowboy *who starts* a *publishing* company will be able to apply for a franchise with no overheads worth mentioning, and, so far as I understand it, with a minimum control on quality.

He will *therefore* be able to offer a price for the new franchise greatly in excess of anything which existing franchise holders with their large overheads will be able to match. In order to earn a return on their capital invested they will have *to make* the cheapest programmes possible and this country, which once led the world in programme quality, will descend to the lowest level of its European and American counterparts.

Is it really fair that the whole of the television industry should be penalised in this way through a change of policy by a Government department?

T. Hoseason-Brown,
6 Norland Road,
Clifton,
Bristol.

'You make me feel dumped'

From Mr Peter Chan.

Sir, The UK Parliament has the supremacy to do anything it wishes – even to betray us, Her Majesty's faithful subjects, Hong Kong-born, by denying our full nationality of the UK *without* our consent.

Clearly, this is a plot which was cunningly calculated. If this sort of act can in any sense be justified, it will not be difficult to understand the unacceptably irresponsible remarks made by *UK* Government spokesmen: "impossible," "difficult," "impractical," "unrealistic" and "hard to visualise," among others. The 1981 Nationality Act is nothing better than high treason.

Britain owes enormously *to* the prosperity of Hong Kong, which in turn owes a great deal to its 5.5m people. It is we who have learned to endure hardship. It is we who are the more hardworking and productive population. We run a *5.5 or* six-day cycle, while Britain runs five days or *even 4.5 days.* We endure bitterly hot summers. We breathe a dusty, polluted environment and we have to squeeze our way through over-crowded streets. Do we endure all these solely for our own benefit? Not quite. The British Government surely enjoys a good portion.

We are forced to allow an ever-growing number of Vietnamese people to enter our port at our expense while the Tories say they can take no more productive emigrants from Hong Kong into Britain. How does anybody explain this hypocrisy?

The British are supposed to do what is right before they do what they want. Hong Kong is under British rule. In fact, only the New Territories part is leased to Britain until 1997. All other parts belong to the UK permanently.

If the UK fails to honour the responsibility it owes to Hong Kong British subjects, regardless of the so-claimed difficulties, it will be condemned by history into eternal shame. If you say you cannot take the very small number of people from Hong Kong who honestly feel like spending the rest of their lives in the UK, why allow some 200m Europeans the automatic right of abode in the UK? Is that not grossly ironical? Or perhaps worse still: racist?

I feel badly treated by your government. I had to pay almost 10 times more than "home" students to get my university education. I wholeheartedly love your country and wish to integrate myself into your society. You make me feel dumped.

Peter Chan,
PO Box 3,
Tuen Mun,
New Territories,
Hong Kong.

Changes in Burma

From Mr N.N. Than.

Sir, The real situation is not that "Karen guerrillas threaten Burma logging concessions" (FT report, May 19). All the main Karen National Union (KNU) strongholds on the Myanmar-Thai Moei river have fallen to government troops over the past eight months, and there is a fundamental difference between the Karens and the KNU terrorists.

Over 99 per cent of the Karens live in peace with the Myanmars. The Karen National Defence Organisation/KNU exploited the countryside rebellion led by the Burma Communist Party, and tried to destroy multi-party democratic Burma in 1948-49. More Karens loyally serve the government in the army, and so on, than are with the KNU (to quote Dr Robert Taylor at a Kuala Lumpur seminar).

"Civil war" was Burma's situation in 1949. The military campaigns now are against narcotics traffickers and terrorists who have survived so *far because of a rugged terrain,* scanty communications, the relative poverty of Myanmar and some outside interference.

As for "concessions," Myanmar will systematically maintain its rich timber and fishery resources, and her long-term interests will always be protected. The closed-door policy of resources-rich, "hermit" Burma was often criticised. In opening out now, the facts are slanted as if rich fishery resources and forests would be depleted overnight.

Myanmar's resources also include minerals, oil, gas and tourism. Tourist and other visas have been extended from seven to 14 days. Myanmar is a food-surplus country of 40m. The foreign investment law of November 30 1988 permits 100 per cent ownership by any investor, and joint ventures on a flexible equity basis are possible even with private Myanmar entrepreneurs.

The system now is not a single-party socialist one, and the government is implementing measures to hold multi-party elections. But some still prejudge, against their own, deeply valued principle of "innocent until proved guilty."

Nyi Nyi Than,
Embassy Of the Union of Myanmar (Burma),
Schumannstrasse 112,
Bonn, West Germany.

FINANCIAL TIMES
Thursday July 6 1989

North given suspended sentence for role in Irangate

By Lionel Barber in Washington

COLONEL Oliver North, the White House aide at the centre of the Iran–Contra arms scandal, was yesterday given a three-year suspended sentence by a Washington court and ordered to pay a $150,000 fine for covering up his role in the affair.

The decorated marine lieutenant colonel, now retired, was also put on probation for two years, barred from holding public office in the US, and ordered to perform 1,200 hours service helping inner-city youth avoid drug addiction.

The mild sentence, which followed his conviction in May, marks an anti-climactic finale to the worst scandal of Mr Ronald Reagan's presidency, but it avoided turning Col North - described by Mr Reagan and President Bush as a national hero - into a martyr.

The scandal centered on Mr Reagan's decision to sell arms to Iran in 1985-6 in an effort to free American hostages held in Lebanon. Col North funnelled the profits into several undercover operations, including funding the Nicaraguan Contra rebels during a congressional ban on military aid.

Mr Reagan has denied knowledge of the Contra diversion, but Judge Gerhard Gesell, pronouncing sentence, described Col North as a "low-level subordinate who was carrying out the instructions of a few cynical superiors."

He told Col North: "I don't think you were a leader at all."

Judge Gesell, who presided in one of the Watergate trials in the mid-1970s, said although Col North was following orders, "you're not the fall guy for this tragic breach of trust."

Col North, who spoke in the same soft yet intense voice which riveted millions of Americans during the televised congressional hearings into the scandal two years ago, said he had served his country for 20 years.

The White House would not comment on the sentence, and conservative supporters, called off plans to lobby Mr Bush for a presidential pardon. Col North, who faced a maximum penalty of 10 years in prison and a $750,000 fine, was convicted in May of three charges, including helping to cover up the Contra arms diversion. He was acquitted on nine other charges. Defence lawyers have said they will appeal against the conviction.

Iran's decade of reconstruction

Scheherazade Daneshkhu in Tehran on the legacy of Khomeini and the likely outcome of this month's presidential elections

THE post-Khomeini political system in Iran is rapidly taking shape as the country readies itself for presidential elections in three weeks.

The result of the poll is a foregone conclusion. The present incumbent, Ayatollah Ali Khamenei, was appointed successor to Ayatollah Khomeini, who died on June 3. But parliamentary Speaker Hojatoleslam Ali Akbar Hashemi Rafsanjani is the only serious candidate and is certain to win.

A simultaneous referendum on the revised constitution on the July 28 election day means that people will be voting for a president and a government whose powers they have not yet sanctioned.

Such *faits accomplis* only emphasise the fact that these elections are not about choice but provide the post-Khomeini leadership with its first opportunity to seek public endorsement. Once accomplished, the Government can in theory put 10 years of revolution behind it and concentrate on 10 years of reconstruction, as the next decade is dubbed.

As far as the Government is concerned, the sooner the better: the election has been brought forward three weeks. The main reason for haste appears to be a fear that despite the so-far smooth transition, the apple cart could easily be upset.

The interests of different power groups have to be reconciled, which is why Ayatollah Khamenei has been repeatedly calling for unity within the clergy and the leadership. The position of Khomeini's son, Sayyed Ahmad, has yet to be determined and Mr Rafsanjani's policies, which are likely to prove controversial in the eyes of more radical factions, have yet to be endorsed.

IRAN called on the UN yesterday to compel Iraq to withdraw its troops from the more than 2,000 square kilometres of Iranian territory they still occupy, writes William Dullforce in Geneva.

Baghdad was defying the Security Council's mandatory demand that the former combatants in the Gulf war should withdraw forces to the internationally recognised boundaries, Mr Ali Akbar Velayati, Iran's Foreign Minister, said.

After a meeting in Geneva with Mr Javier Perez de Cuellar, the UN Secretary-General, he said the permanent members of the Security Council had to help Mr Perez de Cuellar obtain a resumption of direct Iran-Iraq peace talks.

Mr Rafsanjani already embarked on a policy of opening Iran to the outside world with his successful visit to Moscow two weeks ago. His greatest coup has been pushing through constitutional changes aimed at centralising the executive.

Agreement has been reached on measures to streamline the bureaucracy and judiciary, which is to be headed by an appointed individual rather than the present five-man Supreme Judicial Council. Only an attempt to include the power to dissolve parliament among the leader's prerogatives has had to be dropped in the face of deputies' opposition.

The most substantial changes are those in the executive. The post of prime minister is to be abolished and most of its responsibilities transferred to a substantially enhanced presidency with at least one vice president.

So sweeping are the reforms that they have prompted concern over a possible excessive concentration of power. Mr Rafsanjani has brushed such worries aside. "We will have a president for whom the people will vote once every four years; for God's sake someone will come to power... how can he, with this Majlis (parliament), this leadership and the prevailing conditions in the country, change into a dictator?" he asked at one of the constitutional Review Council's sessions.

There are two other important changes. A new constitutional article holds that "in cases where there is a difference of opinion... the decisions of the Council of Ministers (cabinet), taken on the recommendation of the president, will be legal and binding." This puts the president in a powerful position to break through some of the policy disagreements which paralysed decision-making during the Khomeini years.

Second, the president is to head a newly-formed national security council. This will take power away from the Interior Minister, Mr Ali Akbar Mohtashemi, who is a leading hardliner. At one fell swoop, then, Mr Rafsanjani has managed to weaken two of his main rivals, Mr Mohtashemi and Mr Mir Hussein Mousavi, the Prime Minister.

The question in Tehran teahouses these days is whether these men will attempt to find some other way of preserving their influence, a discussion which tends to revolve around the role of Ahmad Khomeini.

Ahmad used to control his father's office but has not been given a job following his father's death. His intimate knowledge of the Khomeini years and his status as the great man's son put him in a potentially strong position to form a power base.

He has, however, an image problem. Nicknamed Ahmad *ashki*, or "tearful Ahmad" because of his constant worried look, he is ridiculed by some for a lack of intelligence, poor oratory and clumsy writing.

So far, Ahmad has scarcely asserted himself. He declined both to read his father's will or to speak at the mourning ceremony one week after Khomeini's death. His sister, Zahra, said that he was seriously depressed at the time and spoke of withdrawing completely from national politics.

It has been mooted that he might become a political advisor to Ayatollah Khamenei, and 205 Majlis deputies have proposed that he might join their ranks. The English-language daily Tehran Times has suggested that he might take over Mr Rafsanjani's Tehran seat and even become the new Majlis Speaker, a job which has so far been one of the hardest in government.

W Germany plans bigger deficit for next year

By David Marsh in Bonn

WEST GERMANY'S federal budget deficit next year will rise to DM33.7bn ($17.5bn) from an expected DM27.8bn this year, as a result of a 3.4 per cent increase in 1990 spending and large income-tax cuts due in the New Year.

As a result of plans approved by the Cabinet yesterday, the opposition Social Democratic party has accused the Government of launching a populist 1990 budget to protect its position in the general election at the end of next year.

Mr Theo Waigel, Finance Minister, presenting his first important legislation since he took over in April, was able to point out at a news conference yesterday, however, that next year's budget deficit would be less than the DM36bn projected a year ago.

The Government has departed from the medium-term financial stringency laid down two years ago by Mr Gerhard Stoltenberg, Mr Waigel's predecessor, who said then that the 1990 deficit should be only DM30.9bn.

Forecast annual deficits into the 1990s now lie between DM2bn and DM2.5bn less than the figures projected 12 months ago, however, as a result of the better-than-expected performance of the economy.

Yesterday's budget figures were drawn up on expectations of a 3 per cent real growth in the economy this year and 2.6 per cent next.

The Economics Ministry is projecting at least 3.5 per cent real growth in gross national product this year, so the Government may have extra leeway next year to boost spending or soften some of the planned tax increases.

Inflation measured by the GNP deflator is put at 2 per cent this year and 2.1 per cent in 1990.

The federal deficit as a proportion of GNP will rise from 1.2 per cent in 1989 to 1.4 per cent in 1990, but is forecast to fall to 1 per cent by 1993.

The liberal Free Democratic Party (FDP), junior partners in the Bonn coalition, also voiced disquiet yesterday that the Government had failed to hold the increase in federal spending next year to 3 per cent — it is planned at DM 301.4bn against DM291.3bn this year.

Mr Heinz Riesenhuber, the Research Minister, is aggrieved, however, that Mr Waigel is cutting future funds for West Germany's ambitious space programmes, while Mr Stoltenberg, the new Defence Minister, remains worried about a squeeze on defence spending in the early 1990s.

Yesterday's plans foresee a 3.8 per cent increase in defence expenditure next year to DM54.5bn.

GREEK FAMILY BACKS LONDON LAUNCH WITH RECORD £100M EQUITY

New bank opens doors for business

By David Lascelles, Banking Editor, in London

A NEW bank – the Private Bank and Trust Co – is launched in London today.

The event would be unremarkable in a city where there are already 600 banks, were it not for two facts.

First, the bank is being launched with £100m ($158m) of equity, which is believed to be the largest initial capital with which any wholly new British bank has ever started out in life. A Bank of England spokesman, confirming the authorisation of the bank yesterday, said it was "unusual" for a bank to start with capital of this size.

Second, all the money is being put up in cash by a single family, the Latsis, a fabulously wealthy but little-known Greek family which lives in Switzerland and shrouds its affairs in great secrecy. A request by the Financial Times for an interview in connection with the launch was refused.

The Private Bank and Trust occupies half a floor in a sumptuous new office development on the south side of Berkeley Square with an atrium lined in polished granite and sprouting 30-foot bamboo plants. It has a high powered management team headed by Mr Chris Ball, who was formerly head of Barclays Bank's operations in South Africa, and Mr Len Kingshott, former director of international banking at Lloyds Bank. The chairman is the Earl of Harrowby, lately deputy chairman of NatWest and Coutts & Co.

As its name suggests, the new bank will aim at the private banking market, providing high class banking services to wealthy individuals and entrepreneurs.

The intriguing question behind the bank, however, is why the Latsis family is launching it at all. The answer lies amid the complexities of the huge business empire which the family has built up virtually single-handedly since the last world war, and which is now estimated at $5bn.

It was founded by John Latsis, a Greek of humble origins who started out as a docker in Pireaus, and got into shipping and thence into oil trading, first in Libya and later in Saudi Arabia where he became close to the ruling family. He expanded in port construction and built a refinery in Saudi Arabia, and later another in Greece as well.

Though now retired and in declining health, John Latsis remains a highly controversial figure who is greatly disliked by many for his aggressive style, but admired by others for his expansive nature.

One London acquaintance recalled yesterday how he invited the Latsis family to dinner, and received a vanload of flowers shortly before his guests arrived.

Latsis' yearning for respectability is thought by some to have prompted his move into banking. This began 10 years ago when he bought a Geneva bank, Banque de Dépôts, from the Onassis family, which is now one of that town's larger private banks with capital of some SFr300m ($182m).

The new London bank, however, is the creation of his son Spiro, a man who is very different from his father. Described as a highly cultured person who long resisted his father's pressure to help run the family business, he studied economics and philosophy at the London School of Economics, (where he took a PhD) and later taught economics for a while at Harvard.

He has endowed one of the richest annual scholarships at the LSE, for £10,000. Now in his early 40s, he is married to an English woman and has three children.

The plan for a London bank has been in the making for several years, but was held up while the Latsis sought suitable managers. Although, as owners of a Swiss bank, they were well-enough regarded by the Bank of England for consideration as owners of a UK bank, there is a requirement for strong, independent management in banks which have dominant owners and hence the team that has been lined up.

The board has also been designed to create a balance between the Latsis family and outside interests. Aside from Spiro himself, it includes his sister, Anne Marie, and his LSE professor, Basil Yamey, and Mr Derk Pelly, a former deputy chairman of Barclays Bank.

Mr Ball, the chief executive, said that Dr Latsis had decided to locate the bank in London because of its importance as a financial centre.

The decision to endow the bank with its £100m capital was made "because it states a serious position", he said. "If you start with £10m you're just another private bank. We can't look after our clients' needs with capital of that size."

Whether the Latsis make much money out of their new venture remains to be seen. The Private Bank has set itself "modest" profit goals according to Mr Ball because it wants to build up a lasting business, free from short-term profit pressures. And although the Latsis family themselves can channel business in its direction, it will need a substantial balance sheet to justify its big capital endowment. But as another Greek financier commented: "The Latsis can spend £100m and not notice."

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	27	81	Malta	S	24	75	Rhodes	S	28	82
Algiers	S	31	88	Edinburgh	S	23	73	Manchester	S	24	75	Rio de J'o	C	21	70
Amsterdam	S	25	77	Faro	S	32	72	Manila	C	[illegible]	[illegible]	Rome	S	25	77
Athens	S	30	86	Florence	F	[illegible]	[illegible]	Melbourne	F	11	52	Salzburg	S	[illegible]	[illegible]
Bahrain	S	43	109	Frankfurt	S	27	81	Mexico City	C	25	77	San Francisco	F	[illegible]	[illegible]
Bangkok	F	35	95	Funchal	F	25	77	Miami	C	25	77	Seoul	F	26	79
Barcelona	R	25	78	Geneva	S	27	81	Milan	S	[illegible]	[illegible]	Singapore	F	29	84
Beirut	-	-	-	Gibraltar	S	26	79	Montreal	C	22	72	Stockholm	S	29	84
Belfast	S	23	73	Glasgow	S	24	75	Moscow	C	17	63	Strasbourg	F	25	77
Belgrade	F	29	84	Guernsey	C	15	59	Munich	S	24	75	Sydney	S	14	57
Berlin	S	26	79	Helsinki	S	26	79	Nairobi	F	25	77	Taipei	F	35	95
Biarritz	T	22	72	H. Kong	S	32	90	Naples	F	[illegible]	[illegible]	Tangier	F	23	73
Bombay	F	31	88	Innsbruck	C	23	73	Nassau	R	[illegible]	[illegible]	Tel Aviv	S	29	84
Bordeaux	-	-	-	Inverness	S	18	64	New Delhi	S	34	93	Tenerife	F	27	81
Brussels	S	27	81	Islamabad	C	[illegible]	[illegible]	New York	C	25	77	Tokyo	C	24	75
Budapest	S	28	82	Istanbul	F	[illegible]	[illegible]	Nice	-	-	-	Toronto	S	[illegible]	[illegible]
B. Aires	F	13	55	Jakarta	F	[illegible]	[illegible]	Nicosia	S	[illegible]	[illegible]	Tunis	S	30	86
Cairo	S	[illegible]	[illegible]	Jersey	C	17	63	Oporto	C	19	66	Valencia	F	27	81
Cape Town	C	15	59	Jo'burg	S	[illegible]	[illegible]	Oslo	S	[illegible]	[illegible]	Venice	F	27	81
Caracas	C	27	81	Lima	C	18	64	Paris	S	[illegible]	[illegible]	Vienna	S	[illegible]	[illegible]
Casablanca	F	24	75	Lisbon	S	34	93	Peking	C	22	72	Warsaw	S	26	79
Chicago	S	21	70	London	S	29	78	Prague	S	26	79	Washington	F	24	75
Cologne	S	28	84	Los Angeles	F	19	66	Reykjavik	R	9	48	Zurich	S	26	79
Copenhagen	S	25	77	Luxembourg	F	24	75								
Corfu	S	30	86	Madrid	F	[illegible]	[illegible]								
Dallas	-	-	-	Majorca	F	[illegible]	[illegible]								
Dublin	S	21	70	Malaga	S	25	77								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

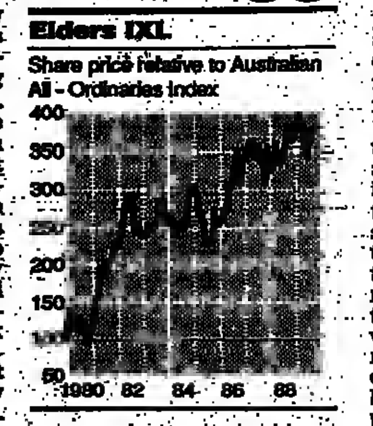
THE LEX COLUMN

Weinstock's cloak and dagger

The stock market is now experiencing Lord Weinstock's legendary powers of negotiation at first hand, and finding the process highly unsettling. It seems fairly clear why he should have begun talks with Plessey on GPT in the first place: GPT would be a consolation prize should Plessey prove too dear, and news of the talks would push Plessey's price down anyway. What is deeply unclear is why the talks should have foundered so publicly yesterday, thus putting 11p back on the share price.

It might be thought that GEC has conceded a point by valuing GPT as high as £885m. But even if the fact of the valuation were agreed — and GEC denies it — it does not help in pricing the rest. Without GPT, Plessey is something of a mixed bag, and in any case, given the structure of GPT, no-one besides GEC can bid. The argument thus becomes circular; the rest of Plessey is worth what Lord Weinstock will pay for it, and determining that price is what the game of bluff is all about.

One inference from the breakdown of talks is that GEC is now confident about the nature of the Ministry of Defence's proposals — indeed, may have received them already. If rumour can be trusted, a bid could come as early as next week, with guesses on the opening shot ranging from 245p to 265p. It might not do to count on anything higher. If the market looked like running away, GEC could simply offer to re-open talks on GPT and poor old Plessey, mindful of its duty to shareholders, would doubtless have to comply.



British Rail

BR's claim to be a railway in profit for the third year running is true, but hardly fair. Back-of-the-envelope arithmetic suggests that the Broadgate property development alone has made three times more money for BR than the meagre £67.9m surplus its rail network has produced since 1986. Judging from the £395m its Property Board contributed last year in sales or rentals, BR is not so much a railway as a property company with an irksome mass transit sideline.

The signs are that the implications are not being fully thought through, least of all in BR's accounting policies. Valuing rail operational land such as marshalling yards at zero in the balance sheet helps BR meet Whitehall's return on capital targets. But last year alone BR conjured up £168m of fixed assets by redesignating land as non-operational, ready for sale and redevelopment. The time is ripe for less obfuscation about the scale of BR's hidden land bank.

This is hardly academic. BR projects £488m more of property sales by mid-1993, in addition to £627m sold since 1985. Future shareholders of a privatised BR may question the wisdom of so fast a sell-off, if it constricts their future freedom to reshape parts of the network. And after the Broadgate development will come King's Cross, the Bishopsgate Goods Yard and Waterloo: if London is over-supplied with office space in the early 1990s, BR could be as big a culprit as Canary Wharf.

Private banks

One of the stultifying side-effects of the growing regulation of banking is that banks are never allowed to go bust, and that new entrants from outside the banking business are generally discouraged. So the arrival of the suitably named Private Bank & Trust Company is a welcome departure. With £100m of capital, swank West End offices and a prestigious board of directors, it has clearly passed the Bank of England's "fit and proper" test, although in so doing it has set a standard which more humble operations will find hard to match.

Nevertheless, its arrival raises a number of questions, not least why a fabulously wealthy Greek family, which made its money in shipping and oil, needs to own yet another bank. There have been a few recent cases of private individuals making their fortunes in banking — Mr Edmond Safra is an obvious example — but for the most part it is not a terribly profitable business. There is considerable excess capacity, the risks are high and regulation is increasingly onerous.

Despite the size of its capital, the new bank will be a tiddler amongst the London merchant banks. It has no obvious customer base, and is bound to be seen by some as little more than a rich man's whim. Given that the business strategy of much grander financial institutions often seems whimsical as well, this should not be a deterrent. But the more serious question persists of who stands behind the bank if, for example, it were to lose a bundle on local authority swaps. Presumably the Bank of England has had, and will continue to have, full access to the financial affairs of the secretive Latsis family.

Elders IXL

In making a general offer to buy Elders at A$3 a share, Mr Elliot is playing a dangerous game. A further decline in sentiment, or a slump in the market, could make the offer seriously attractive. With Australian interest rates at 18 per cent and rising, Mr Elliott and his colleagues — who will be looking only to gain control by a narrow margin — risk ending up with more stock than they can afford.

Mr Elliot's position is now genuinely bizarre. The whole fuss started over his scheme to gain effective control of his company by underwriting a rights issue which was designed to flop by being priced too high — at A$3. To secure those shares, he has to convince shareholders that A$3 is still too expensive: but to stop them taking up his general offer — made only to defuse the row — he must simultaneously convince them that A$3 is too cheap.

There is, to be sure, a more charitable view. Mr Elliot may well believe that the forthcoming flotation of the brewing interests will make Elders' shares worth materially more than $3. If so, he is entitled to retain as much of possible of that extra value for himself and his friends, provided a fair offer to shareholders has been duly made. It is worth recalling that on a ten-year view, Elders' shares have outperformed the Australian market by a factor of more than three. But with the example of Mr Bond in mind, investors may feel that this is not the best time to become minority shareholders at the mercy of an Australian entrepreneur.

Greeks fail to say goodbye

Continued from Page 1

ing Pasok ministers should refuse to meet their successors. The ailing Mr Papandreou, whose unsuccessful efforts to form a new government were conducted from a hospital bed, left Athens yesterday for a convalescent holiday after pneumonia and kidney problems.

Mr Tzannetakis's extraordinary government brings together in a temporary partnership the two sides of the country's bloody civil war of the late 1940s. Last month's inconclusive election finally prompted the putting aside of enduring ideological and political enmities in favour of a scarce political programme "to restore democracy" and to pursue the prosecution of former Pasok ministers and officials suspected of financial wrongdoing. The joint political objective is fresh elections in early October.

The June 18 poll left New Democracy with 144 seats in the 300-seat parliament against Pasok's 125 and the Communist coalition's 28.

ACCOUNTANCY COLUMN

US accounting precision meets UK flexibility

By Eric Short, Pensions Correspondent

THE ACCOUNTS of companies operating in the UK will for the first time this year have to account for pension costs in the prescribed manner set out in Statement of Standard Accounting Practice (SSAP) No 24.

However, auditors and finance directors of UK subsidiaries of US parent companies face a further obstacle in that, for them, the US Financial Accounting Standard (FAS) 87 will also apply on accounting for pension costs.

Both SSAP 24, which has been discussed before in these columns, and FAS 87 have the same overall objective — to ensure that pension liability costs are determined on a systematic and rational basis, instead of the previous ad hoc system.

Until these standards were introduced, pension costs included in the accounts of both UK and US companies tended to be the actual amounts paid by the company into the pension scheme in the relevant financial year.

Now both standards set out to show in the accounts the ongoing cost of providing pensions to employees during the service period of those employees in the company, accepting that pension provision for employees is an employment cost that should be matched with period of service.

Both standards set out to identify the pension costs split between the normal ongoing costs incurred each year and variations in costs beyond those which arise normally, such as a benefit improvement, surpluses or changed actuarial assumptions in the valuation.

There, however, virtually all similarity ends, placing auditors of these UK subsidiaries in a certain difficulty as they try to incorporate both standards in the accounts.

Britain's standard is more a device for disclosure, less a standard for measurement

SSAP 24 is more of a disclosure than a measurement standard, containing so many calculation options for auditors and actuaries that there is little comparability on pension costs between one company and another.

Mr Ron Paterson, partner and director of accounting at Arthur Young, stated at a recent conference held by the Pensions Management Institute on accounting for pension costs, that most UK companies had still not yet realised what a big impact SSAP 24 would have on their accounts.

He added that the evidence from the accounts of those companies which had already put SSAP 24 into operation showed that they did not really understand how to apply the standard.

However, that sort of lack of familiarity should not arise with FAS 87, which has applied to US domestic companies for the past two years. But overseas subsidiaries were given the option of a two-year delay before having to implement the standard.

That period is over and all overseas subsidiaries of US parents will have to set out pension costs in accordance with FAS 87 for their 1989 accounts so that they can be consolidated with the US parent accounts. Several leading US multinationals have already applied the standard for their overseas operations.

FAS 87 is extremely precise in its operation, setting out the specific objectives to be achieved, the format in which they are shown and the actuarial method to be applied in the calculation of pension costs.

Above all, it does not allow the flexibility and judgment provided under SSAP 24, since the Financial Accounting Standards Board drew up the standard so that the calculation of pension costs would provide a comparable measure between companies.

In that respect, FAS 87 analyses pension costs into a number of specific components:

- Service cost;
- Interest cost;
- Actual return on plan assets;
- Amortisation;
- Gain or loss.

A comparison with the pension costs shown in US accounts with those seen to date from UK companies contrasts the precision of FAS 87 with the flexibility of SSAP 24.

The finance directors of these UK subsidiaries can call on the experience of their UK parents both in interpreting FAS 87 and in its operation.

But can the auditors and finance directors of these UK subsidiaries use one calculation of pension costs to fulfill the requirements of both standards?

Mr Chris Belleen, a partner of Deloitte Haskins & Sells, also speaking at the conference, highlighted the differences between the two standards, which might result in significantly different reported profit levels and a requirement for separate actuarial valuations.

He was extremely doubtful whether accounts prepared under SSAP 24 would be acceptable for FAS 87, but considered that accounts prepared under FAS 87 principles could be adapted to conform with SSAP 24.

In particular, FAS 87 lays down that actuaries must use one specific valuation method — the projected unit credit method — in determining costs. That method values the costs of the accrued and current year's pension benefits of existing employees allowing for the future growth of their salaries to retirement date.

Fortunately, most UK pension actuaries generally accept this method of valuation for ongoing funds, but it can cause difficulties for funds closed to new entrants. So they would be prepared to ascertain pension costs using this method for SSAP 24 as well as FAS 87.

The US standard would force British actuaries to make annual valuations

However, actuarial valuations have to be produced within three months of the date of the accounts. Many US companies produce their accounts within one month of the ending of their financial year.

UK actuaries have, to date, had a much longer timescale in which to produce valuations and they have tended to value a scheme only once every three years. FAS 87 does force annual valuations on UK actuaries.

Although SSAP 24 in its present form has to be given time to work, the general expectation that changes will have to be made to the standard. It is felt that it needs to be far more precise in its operation.

However, FAS 87 can result in some glaring anomalies between the reported profits and the strategies adopted by the pension scheme. For example, the pension costs can be minimised, and thus reported profits maximised, if the pension scheme instead of paying pensions from the fund buys a block of annuities from a life company for a group of retired employees.

Buying annuities in this manner ends the scheme's liability for these employees and thus the need to account for them, even though retired employees would usually do better by having their pensions paid from the fund where surpluses can be used for discretionary pension increases.

Mr David Campbell, a partner in the consulting actuarial firm Bacon & Woodrow, said at the conference that the implementation of SSAP 24 might have a significant impact on the actual funding of pension schemes by employers.

The general fears are that any revision of the standard to bring in precision could have even more of an impact.

ACCOUNTANCY APPOINTMENTS

YOUNG ACA

Can financial skills and marketing mix?

HAMPSHIRE c.£25,000 plus quality car and banking benefits

A rare talent? We would like to talk to young qualified accountants with commercial flair, perhaps inspired by a first post-qualification appointment in a marketing led/entrepreneurial company or with a natural ability to see the market opportunities beyond the numbers.

As a key member of a small committed team you will negotiate financial packages at senior levels with leading City institutions and play a major role in the pricing, development and financial construction of new products.

In your mid/late 20's you must be self confident, have first class technical and communication skills and the interest and motivation to achieve success on both a personal and corporate level.

My client is the highly successful financial services division of a major British banking group who are responding to the challenges of 1992 and beyond and therefore offer unrivalled personal development opportunities in senior financial management or other strategic business areas.

The employment package is excellent, the potential up to you. Interested? Telephone for an application form or write with full CV quoting Ref: 1228 to M R Salter, Director, Hales & Hindmarsh Associates Ltd., 34A Jewry Street, Winchester, Hampshire SO23 8RY. Tel: (0962) 841851, Fax: (0962) 840436.

H &H

Hales&Hindmarsh
CONSULTANCY · SEARCH · SELECTION

GROUP ACCOUNTANT

Salary up to £23,000 inclusive

Established by Royal Charter in 1972 to promote and develop sport and physical recreation, the Sports Council has an active role in the funding of major sports facilities and the promotion of participation and excellence under the concept of 'Sport for ALL'.

We are now looking for an efficient and self-motivated accountant for the day-to-day management of our HQ Finance Unit. Major responsibilities include:
- control of the Council's Working Capital (approx £50m)
- design and implementation of financial systems and procedures
- preparation of consolidated accounts etc.
- management of a staff of 16.

The successful candidate is likely to be a fully qualified accountant with good experience which includes developed computer skills. Positive qualities of business acumen and enthusiasm which will enable him/her to contribute to the Sports Council's increasing emphasis on trading and marketing activities designed to generate independent funding, would be seen as additional advantages.

An attractive benefits package, including up to £5,000 relocation expenses, is offered.

To apply, please send details of your career to date (quoting ref: FT/2) to Trudy Hindmarsh, Personnel Officer, The Sports Council, 16 Upper Woburn Place, London WC1H 0QP.

AN EQUAL OPPORTUNITIES EMPLOYER

SPORTS COUNCIL

Finance Director

up to £40,000 + Bonus + Car

Our client is a well-established, international multi-disciplinary consultancy practice with a group turnover of c£10m. Previously a partnership, a recent restructuring has created the need for a Group Finance Director to join the holding company board. First tasks will be to reorganise and unify the group's financial and reporting systems, then prepare the group for a possible flotation. Candidates over 30 years should be qualified chartered accountants of graduate calibre with at least 5 years' experience of running the finance function of a multi-site service orientated company. Commercial acumen, combined with the ability to contribute strongly at strategic board level, manage people and help steer through change are all essential attributes for this role. Location could be Central London or Edinburgh. Please reply in strictest confidence with full career details to Peg Eva, as adviser to the company, at Selection Thomson Ltd., 85/87 Jermyn Street, London SW1Y 6JD or 14 Sandyford Place, Glasgow G3 7NB.

Selection Thomson
London and Glasgow

TREASURY MANAGEMENT

A Corporate opportunity in a major UK Group

Thames Valley c.£30,000 + Car + Bonus

Our client is a substantial international Group with turnover in the region of £1¾ billion and concerned with the manufacture and distribution of a wide range of products. Effective international treasury management is essential to the implementation of its growth strategy and this is reflected in the demanding nature of this appointment.

Based at the group's head office (which is pleasantly situated in the Thames Valley area), the appointee will report to the Corporate Treasurer. A small treasury team ensures wide ranging responsibilities; these will include subsidiary company funding, support for the Sterling Dealer and involvement with all aspects of FX Management.

Candidates will ideally have several years' experience in Corporate Treasury with either an accounting or clearing bank background. Probably graduates and around 10 years into their careers, they will possess an eagerness to make decisions and have a high level of drive and commitment. Flexibility and effective communication skills are also vital.

For the successful applicant, a well structured remuneration package includes attractive incentive bonus, pension and SAYE Share Option Schemes, PPP and free restaurant facilities.

It is intended that all applications will be passed to our client. Candidates should therefore indicate any organisations which they do not wish to consider.

Full career details should be sent, in the first instance, to Mike Blanckenhagen, quoting ref: 4812.

KPMG Peat Marwick McLintock
Executive Selection and Search
70 Fleet Street, London EC4Y 1EU

Financial & Economic Analysts

Salary £19,662-£23,907 (under review)+Lease Car

Remarkable success is being achieved in the regeneration of London Docklands. The scope of the Development Corporation's task includes direct investment in an intensive project programme of reclamation, transport and services infrastructure, and environmental works as well as sales, marketing, employment and community projects. Expenditure, funded by grant and land disposal receipts is planned at over £300m in the current financial year.

Based in a multi-disciplinary Area Team and reporting to both the Corporation's Assistant Financial Controller and the Area Team Director, these roles provide a full financial service to the Area Teams. Duties will include the financial and economic evaluation of projects, budgetary and cost control, the monitoring of a large capital/income and expenditure programme and key economic development projects.

Applicants should hold a recognised UK accountancy qualification or be able to demonstrate significant experience of financial and economic analysis.

Candidates should write for an application form to: **Mr Chris Woodman, Senior Personnel Officer, London Docklands Development Corporation, Unit A, Great Eastern Enterprise, Millharbour, London E14 9TJ.**

Applications will be reviewed on **Monday 24th July, 1989.**

An Equal Opportunities Employer.

London Docklands

FINANCIAL DIRECTOR

to £40,000
+ Quality Car
+ Substantial Benefits
Northamptonshire

The Company is a successful and profitable Division of a major PLC Group involved in manufacturing where the current turnover of around £25m. is expected to double within three years, both through organic growth and acquisition.

To achieve these exciting development plans the Managing Director is seeking an experienced financial manager to work closely with him in the management and direction of the multi-site operating units [including a French subsidiary]. The Financial Director will take a leading role in Acquisition and Business Development in order to realise the planned growth of the Division.

The ideal candidate profile would include a business related Degree, formal qualification in a "Big 8" firm, financial management in a manufacturing business and commercial/strategic experience in a fast growing acquisitive group. Applicants aged 35-45 must be able to demonstrate significant contribution to business growth and management skills at a senior level.

In return the position offers considerable interest and autonomy within this challenging and highly professional Group.

In the first instance contact our retained advisors:-

F.T. Partnership

Fitz-Eylwin House, 25 Holborn Viaduct,
London EC1A 2BP
Telephone: 01-936-3311. *Fax:* 01-936 2122

The Choice of generations

merit

SWINDON

A highly motivated individual is required to be
MANAGING DIRECTOR
(Subsidiary of plc)

£ HIGH
+ Attractive Benefits
+ Options

Merit Toys Ltd., a subsidiary of Bluebird Toys plc, seeks a Managing Director to propel the company forward into the 1990's.

Merit was acquired in 1988 by Bluebird which is the UK's largest quoted toy manufacturing group. The group's commitment to growth is unrivalled in our industry and has been achieved by high investment in new products and the careful fostering of good relations with our customers.

You will be an entrepreneurial high achiever with ambitioo to succeed, but are restricted by the limitations of your present job. You may be an A.C.A. with good technical exposure and wide industrial experience and you feel held back in the realms of accounting and you now want to further diversify into other fields of business. Merit will give you the opportunity to use the knowledge gained outside your high quality education and professiooal qualifications in a general management role.

The Managing Director we seek should be able to take a "hands on", flexible approach to bring this enterprising part of the group to the forefront of the industry alongside the parent company.

In this role you will be involved with major customers and help direct new product development in addition to the daily control and running of the company, with a profit conscious view to long term growth while sustaining the high motivation of a committed and loyal team.

Based at our new offices in Dorcan, new Swindon, Wiltshire, salary will not be a limiting factor for a person with the right qualities and the package will include a Jaguar XJ6, health plan, share options and a profit sharing scheme.

If you are interested in this exciting high profile role, please apply in writing with a detailed C.V. to:-

Mr. T. Charnock, Group Chief Executive and Chairman, Merit Toys Ltd, Merit House, Faraday Road, Dorcan, Swindon, Wiltshire SN3 5HF

Progressive International Airline FINANCIAL MANAGER

To £27,000
+ Car
+ Benefits
Crawley, West Sussex

Air Europe, a major force in todays aviation scene and part of the dynamic International Leisure Group, is now pursuing an exciting programme of investment and growth. This involves the expansion of their network of scheduled services from Gatwick to European business and holiday destinations, as well as further diversification of their traditional charter market to the long haul arena.

This growth has now created an opportunity for an ambitious accountant to join Air Europe's headquarters finance team in an important new financial management role.

You will be responsible for the direction and development of a team of approximately 30 staff, including qualified and part qualified accountants, ensuring the production of comprehensive and timely management information, the development of a range of financial systems, and the implementation of effective controls required to monitor overheads, capital expenditure and other trading costs.

The individual sought will be a qualified accountant, likely to be aged 25-32, and able to demonstrate ability, enthusiasm and achievement. You will be required to solve complex problems, manage people and deliver results, whilst working within a high pressure environment.

This high profile appointment offers an ideal platform for career progression within Air Europe and more widely within the International Leisure Group. In addition to a competitive salary and company car there are generous holiday, travel and other benefits.

For a detailed and confidential discussion, contact Paul Goodman or Brian Cognet on 01-387 5400, out of hours 0923 720284 or write to Financial Selection Services, Drayton House, Gordon Street, London WC1H 0AN. Fax 01-388 0857.

air europe

Financial Systems Manager

READING, c.£27,000 PLUS CAR

The Thames Region of the National Rivers Authority is the largest of ten units being created to manage the country's rivers and will be at the forefront of environmental improvement. The Region is responsible for over 3,000 miles of river, serving 11 million users and will have a turnover of £50 million. It now seeks a systems-oriented financial manager to manage financial development projects, define user requirements and co-ordinate the delivery of systems solutions.

Reporting to the senior financial manager of the Region, and with two subordinate managers, you will lead some two dozen staff responsible for systems provision and for projects to establish effective financial functioning as well as for providing the payroll, income and payments services.

A qualified Accountant, you should be experienced as a manager of staff, in co-ordinating systems development activities and in leading projects. The rôle calls for well-developed problem-solving skills and the ability to communicate effectively at all levels. You can expect to be involved in a wide range of interesting projects establishing and providing financial methods, procedures, and systems for the Region.

Résumés please, including day time telephone number to Robin Alcock, quoting ref: RA581, Coopers & Lybrand Executive Resourcing Limited, Shelley House, 3 Noble Street, London EC2V 7DQ.

Executive Resourcing **Coopers & Lybrand**

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Property Development

Finance Director (Designate)

London SW1 *to £40,000 +performance bonus*

Our client is a successful private company with significant institutional backing and a growing presence in property development. The growth of the company has reached the point where they wish to strengthen the executive team by the appointment of a Finance Director (Designate).

Reporting to the Managing Director, and participating fully in the business management of the company, the Finance Director (Designate) will have the primary responsibility for the financial analysis and funding management for proposals, acquisitions and disposals.

In addition, he or she will be responsible for the development of the accounting and management information systems required by the business.

Candidates will be qualified and experienced in financial management, as accountants or MBA's with corporate finance experience. Tax planning and joint venture experience in property development projects would be particularly valuable. Entrepreneurial attitudes and proven business ability are essential for success in the role.

Candidates should apply, in strict confidence, to Charles Vallee, giving full details of education and qualifications, career and salary *progression quoting* reference 5263/FT on both envelope and letter.

Deloitte Haskins+Sells
Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

Director of Finance and Administration

Travel Industry
Surrey

Royal Caribbean Cruise Line is a rapidly expanding, high quality fly/cruise operator. *The head office is* in Miami, Florida and the principal European office is based at Kingston *upon Thames. Recognising the need* for a strong finance and accounting function to support the growth of its European operations, the company wishes to appoint a Director of Finance and Administration.

Controlling the day to day activities of the finance and administration *departments, you will be expected to* ensure that financial and management information produced is both timely and accurate. *An equally important* part of your role will be to manage their information systems requirements and, *in addition, you will be responsible for* administration matters such as personnel, purchasing and office management.

Probably a part or fully qualified accountant you will have a comprehensive background in accounting and financial management – ideally gained within the travel industry. Experience of integrated computerised reservations systems would be an advantage. Strong communication and organisation skills are vital in this busy and varied role.

Interested applicants should write, enclosing full CV and salary details, and quoting reference MCS/9020 to Susan Ryder
Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL

Price Waterhouse

GROUP FINANCE DIRECTOR

London
c.£35,000 + car
+ bonus + equity option

THIS c.£3 m-turnover private British group, with a record of profitable growth, utilises traditional craft skills and is an acknowledged international market-leader in the design, manufacture and *installation of prestigious, speciality building* products.

This exciting opportunity will appeal to finance professionals who seek total business involvement and a substantial equity stake. It is a 'hands on' functional role with personal responsibility for all financial aspects including preparing statutory accounts, raising finance, foreign exchange and cash management.

Aged 30-50 and professionally qualified, you have broadly-based financial and management experience, preferably gained in jobbing shop and contracting environments, and proven abilities in acquisition and joint-venture negotiations. Computer literate and self-motivated, you are skilled at influencing corporate strategies by the *application of sound commercial acumen.* Experience in contract administration and of exporting is desired, and the role will demand *international travel, particularly to the Middle East.*

To apply, please send your cv, in confidence, to Helen Dawson, Engineering & Process Recruitment, Ref: 3537/MS/FT, PA Consulting Group, Hyde Park House, 60a Knightsbridge, London SW1X 7LE. Tel: 01-235 6060 ext 2239.

PA Consulting Group
HUMAN RESOURCES
Creating Business Advantage
Executive Recruitment · Human Resource Consultancy · Advertising and Communications

FINANCE DIRECTOR

S.E. England £35,000 (Neg.)+Bonus+Car

This small manufacturing plc is progressive, successful and has experienced extremely rapid growth. With products of the highest quality it competes at the top end of a competitive market place.

The Finance Director—as a member of the management team—will contribute to the definition and implementation of company objectives and plans, and will be directly responsible not only for its financial management but also for all company secretarial duties.

Applicants will be qualified Accountants with experience in a manufacturing industry, sound commercial awareness and a good knowledge of computer systems. Mature inter-personal skills, the ability to lead and motivate a small team, enthusiasm, vision and commitment are essential for success.

This is a superb opportunity to contribute to the continuing development of a company where its success and growth will be directly reflected in the challenge and reward of this position.

A salary of circa £35,000 pa—negotiable for the right candidate—is offered plus bonus, share options and fully expensed car. The benefits package is of a high standard and includes relocation assistance.

Please write with full career details, including current salary, to Morag Lloyd, quoting reference L/119/89.

KPMG Peat Marwick McLintock
Executive Selection
Arlen House, Salisbury Road, Leicester LE1 7QS. Telephone (0533) 471122.

IT Strategist – Retail

Financial Systems Development

SOUTH: *to* £37,000 + car

Our client is one of the major high street retail groups with a strategic focus on improving the profit impact of its information systems. Recent re-organisation has created an integrated information technology division with a small strategy team focusing on long-term business needs.

A qualified accountant with a good understanding of the principles of retail accounting is needed to play a leadership role in developing the group's financial reporting systems. The emphasis is on working with senior operational managers on business strategy and translating it into the required IT strategy. You will act as the prime interface to *the business managers.*

Your background is essentially business oriented, but a good understanding of information systems and technologies is needed with particular emphasis on proprietary financial packages. Experience of installing a major new financial system, ideally in a project management role, is *mandatory.* You will need the stature and credibility to influence chief executives, the dynamism to achieve results and the flexibility to adapt to an evolving organisation.

An excellent benefits package and superb prospects for career growth are on offer to the successful candidate. Please write — in confidence — enclosing full career details to David Thackeray, Ref: 96009, MSL International (UK) Ltd, Pilgrim House, 2/6 William Street, Windsor, Berks, SL4 0BA.

MSL International

Cable and Wireless (Marine) Limited

ACCOUNTING MANAGER

Chelmsford, Essex £23-25,000+Car

Our client is a medium sized, progressive and highly successful unit of the leading multi-national Cable and Wireless telecommunications group. Specialising in submarine cable construction, maintenance and associated consultancy services on a worldwide basis, the *company is also at the forefront of submarine fibre optic* cable system technology, which will form the basis of a global digital highway linking the major business centres of the world.

The position of Accounting Manager is a crucial appointment and the successful applicant will lead a small, professionally dedicated team. Reporting to the Finance Director, wide ranging responsibilities will include control of all financial accounting systems, preparation of periodic financial and annual statutory accounts and involvement in the financial administration *of an offshore joint venture operation.* There will also be considerable involvement in the introduction of a new computer system planned for early next year.

Prospects are excellent and the right candidate will be embarking on a progressive career both within the Company and the world-wide operations of the Cable and Wireless Group. Applications are invited from ambitious and capable qualified accountants aged 27-33 years.

In addition to salary and car an excellent benefits package includes pension and share option schemes, generous relocation assistance and private health care.

In complete confidence please write to or telephone Nick Leather who is advising on this position. Evenings or weekends telephone 0428 53708.

ALASTAIR · GRAY · ASSOCIATES
FINANCIAL RECRUITMENT CONSULTANTS
MANFIELD HOUSE · 376/379 STRAND · LONDON WC2R 0LR · TEL 01 836 9928 · FAX 01 497 2033

FINANCE DIRECTOR DESIGNATE

Mid Sussex ***c.£27,500 + Car + Bonus***

Prime Contractors Limited is a recent, highly innovative management buyout from the public sector. The company has a strong team *managing* a range *of contractual* services including refuse management, grounds maintenance and building maintenance. Already a success story, Prime has an active growth plan.

The company now wishes to appoint a Finance Director Designate who will report directly to the Managing Director. Specific responsibilities will include:

- Implementing an accounting and management reporting system
- Budgetary control and forecasting
- Working capital management
- Monthly financial reporting
- *Investigation into new ventures/contract* opportunities

Applicants must be Chartered Accountants with at least 2 years' p.q.e. in a small/medium sized company. They must also have a working knowledge of networked PC based systems and a positive attitude to hard work.

Please write enclosing a full CV to Gordon Hurst ACA, at The Capita Group Plc., Park Gate, 21 Tothill Street, London SW1H 9LL.

CAPITA GROUP Plc

SAVINGS SERVICES MANAGER

c £22,000 + car + benefits

The financial services industry is now one of the most animated areas for personal and career development and the National & Provincial is one of the prominent names in this new era of competition and commercial enterprise. We are rapidly departing from traditional roots to create an advanced and vibrant organisation which can continue to set exacting standards.

As Savings Services Manager you will be the predominant figure in *the supervision and development* of savings administration, procedures and services including the growth area of Money Transmission Services. Whilst providing technical guidance on improving investment services and product enhancements, one of the main *responsibilities* will be *the development* and *interface with APACS and BACS clearing systems, to meet* stringent specifications. The role of technology is included within your brief and you will be the main user interface with our IT Division to exploit the benefits of computerised systems to the best advantage of the Society.

Reporting to a member of Senior Management within our Savings Division you will have overall responsibility through a small dedicated team for a large department and will require an ability to advise and communicate at all *levels.* A working knowledge of Building Society/Banking Law and Practice with an emphasis on investments is an essential prerequisite for the job. In addition you must have an awareness of movements within the financial services industry and be prepared to plan ahead to meet change head on. You may already be involved in the banking or building society field.

The attractive benefits package includes a competitive salary, an immediate concessionary rate mortgage, BUPA, an optional contributory pension scheme, bonus and relocation where appropriate.

Please write with full details to: Dean Marston, Recruitment Manager, National & Provincial Building Society, Provincial House, Bradford BD1 1NL. Tel: 0274 733444.

The Society is an Equal Opportunities Employer

MAKE A BEE-LINE FOR N&P!

NATIONAL & PROVINCIAL
BUILDING SOCIETY

CORPORATE FINANCE

US Investment Bank
c.£30,000 + Benefits

Expanding mergers and acquisitions team with a high profile worldwide requires a number of ACAs immediately. You will be largely involved on North American/European cross-border transactions and travel to the States is likely. You will have a good academic track record, at least one year's post-qualified experience and a strong City awareness.

UK Merchant Bank
From £27,000 + Car + Benefits

Several recently qualified ACAs and corporate financiers with up to two years' experience are urgently sought by this highly-respected UK merchant bank. Exposure to the full spectrum of corporate finance activities is guaranteed due to its growing reputation and lengthening client list. Applicants must have strong academic credentials and a desire to succeed.

UK Stockbroker
From £26,500 + Benefits

Excellent opportunities exist for two ACAs and two experienced corporate financiers to join one of the UK's leading stockbrokers. The variety and volume of transactions will strengthen your technical knowledge and give you early client responsibility. You will have excellent academics, a proven commercial outlook, and be seeking a young, lively organisation.

For further details of these and other positions in Corporate Finance, please contact Katharine Seymour on 01-583 0073 (day) or 01-769 0062 (evenings and weekends). 16-18 New Bridge Street, London EC4V 6AU.

FINANCIAL SERVICES

Financial Analysts
£27,500 + Banking Benefits

An ideal opportunity exists to gain overall experience of the world's financial markets with this major UK merchant bank. Ambitious, career minded newly qualified ACAs are required to become involved in its continuing world-wide expansion, looking at the bank's own internal acquisitions, financial planning and carrying out special projects. Excellent interpersonal skills a prerequisite. Age 24-28.

Group Financial Controller
To £30,000 + Car

Due to continuing expansion, our client, a leader in the field of corporate finance, has an excellent opportunity for a qualified ACA. Alongside exposure to mergers and acquisitions you will co-ordinate and control the group's finance function. You should have two years post-qualification experience, and be able to take advantage of the opportunities for career advancement in group companies. Age 27-30.

Systems Analysts
£25,000 + Mortgage Subsidy + Bonus

Progressive financial organisation urgently seeks qualified accountants to strengthen its financial systems across the group. You will bridge the gap between business and technology, helping managers develop precise solutions to complete business problems. Alongside the desire to match your ambition with success you should possess good systems experience. Age 24-28.

For further details of these and other positions in Financial Services, please contact *Marc Eschauzier* on 01-583 0073 (day) or 01-350 1738 (evenings and weekends). 16-18 New Bridge Street, London EC4V 6AU.

COMMERCE & INDUSTRY

Business Analyst
c.£26,000 + Bens

If you require variety and challenge, we have the perfect opportunity. This major blue chip company is recruiting an analyst for its corporate finance division to review the performance of group companies, produce briefing documents, and comment on results. With a strong analytical background and an ambitious personality, you will be aged 25 to 30.

Group Accountant
To £28,000 + Car

Are you seeking a mixed head office role in a fast-moving commercial environment? Alongside regular reporting you will be involved in ad hoc projects including acquisitions and MIS work with this highly respected pharmaceuticals company. The successful candidate will be a Chartered Accountant with big company exposure. Prospects are excellent throughout the group.

Media – F D Designate
To £30,000

Due to increasing growth, our client, a communications agency with a well established client base, now requires an experienced accountant. You will set up all accounting controls, and provide the financial input into the board's decision-making process. With excellent commerical skills, you should soon progress to full Finance Director. Age 26-30.

For further details of these and other positions in Commerce & Industry, please contact Jayne Smith on 01-583 0073 (day) or 01-542 8868 (evenings and weekends). 16-18 New Bridge Street, London EC4V 6AU.

BADENOCH & CLARK
recruitment specialists

Financial/Commercial Director
West Midlands

Leyland Joinery Limited, a member of the International RTZ Pillar Group, manufactures a unique package of joinery products for today's building industry with production facilities in the North West, the Midlands and South Wales.

A career opportunity has arisen for a high calibre, qualified Accountant probably aged over 30, with relevant industrial experience, to assume responsibility for all financial and commercial matters, thus contributing to the profitability and progress of the company.

The person appointed will have control of all financial and reporting procedures including computer systems development, management information, costings and estimating and will be expected to make a major contribution towards the assessment and implementation of strategic objectives.

This is a board appointment and remuneration will be very attractive and incorporate profit sharing. Benefits include company car, medical cover and membership of the RTZ Contributory Pension Scheme.

LEYLAND JOINERY — RTZ GROUP

Please apply giving details of qualifications and experience to:- A A Wright, Personnel Manager, Pillar Building Products Limited, Pillar House, 113/115 Bath Road, Cheltenham, Glos GL53 7LS.

A WELL KNOWN NAME OFFERING MORE THAN A FEW SURPRISES

Chief Financial Accountant

Cheshire **package to £28,000 + car + profit share**

When an organisation is moving as fast as we are, it takes time for people to catch up with today's British Gas.

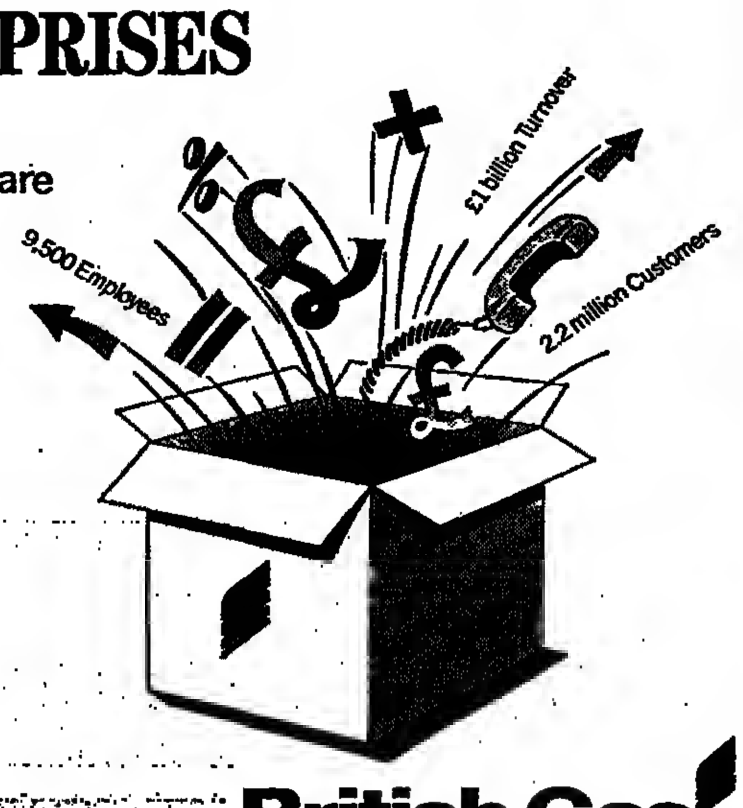
Are you aware British Gas North Western is the largest Region of British Gas plc, with *over 2.2 million customers* spread over an area stretching from Cheshire to the Lake District? Furthermore, we have a turnover approaching £1 billion and some 9,500 employees on our payroll. These are the hallmarks of a fast-moving and commercially driven business and as a result we are now recruiting a new generation of qualified professionals to drive our business into the 1990s.

As one of 3 senior posts reporting to the Chief Accountant, you will contribute to the development of business and financial strategy for the Region. You will play a significant leadership role to an area of responsibility covering diverse financial operations, encompassing financial accounting, taxation, payroll, insurance, purchase ledger, cash management and a total staff of 150.

To succeed in this dynamic environment you will need a keen business awareness and a high level of interpersonal and management skills already proven within a large organisation. A full professional accountancy qualification must be supported by substantial practical experience across the whole field of financial management.

This position calls for effective interpersonal skills necessary to promote a high profile image. Career prospects are excellent for the person who can show potential and can contribute to the success of British Gas.

Please apply in confidence with full CV to: The Regional Director of Personnel, (Ref H741/FT), British Gas North Western, Welman House, Golf Road, Altrincham, Cheshire WA15 8AE. For further details about this position telephone Alan Houghton, Chief Accountant on 061-928 6311. Closing date for receipt of applications is Friday 14th July 1989.



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British Gas
North Western

Company Accountant

North East London

£25,000 To £30,000, Benefits Package Including Car

Part of an expanding Group, this £20m turnover company is in an exciting growth phase following major investment in key areas of the husiness.

The company, under the control of e dynamic and highly motivated managemont team, has established itself as e market leader with an exceptional profit record.

Selling e wida range of its own branded electro-machenicel products through e netionwide dealer network the company also exports worldwide.

Reporting to the Financial Controller, but having direct links with the Group Chief Executive, the person appointed will assume responsibility for the management of the financial function. Particular emphasis will be placed on further computerisation and the development of the management information and reporting systems.

Ideal candidates will be qualified accountants, in their thirties, experienced within the retail, distribution, or manufacturing sectors and able to demonstrate a successful track record in the implemantation and development of computerised systems.

Salary will be commensurate with experience to date.

Male or female candidates should submit in confidence e comprehensive c.v. or telephone for a Personal History Form to, *J.R. McGallan, Hoggett Bowers plc, 1/2 Hanover Street, LONDON, W1R 9WB, 01-734 6852, Fax: 01-734 3738, quoting Ref: B24008/FT.*

Hoggett Bowers

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, EDINBURGH, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD, WINDSOR
A Member of Blue Arrow plc

OPERATIONS ACCOUNTING MANAGER

Large Scale Operational Accounting function responsibilities, plus all the benefits of a South Coast location

Salary up to £30K plus excellent benefits

Our client is a highly regarded and dynamic financial services organisation with a reputation for bringing innovation and flair to a highly competitive marketplace.

A recent re-organisation has created an opportunity for a qualified accountant to take responsibility for a number of operational areas within the finance division. Our client is seeking someone who will make a significant contribution to the divisions support of mainframe system developments and local PC applications. This is in addition to the line management responsibility for around 50 staff, for which highly developed man-management and inter-personal skills are essential.

The successful candidate will be a high calibre, qualified accountant who is most likely to be aged 30+. He or she will have gained experience in a large organisation and have the personality and commitment to manage and take responsibility for an extremely busy operation.

In addition to the salary quoted there is an excellent benefits package which includes a company car, mortgage subsidy and generous assistance with relocation expenses to one of the country's most attractive areas.

In the first instance, send your C.V. to Andrew Percival, Harrison Cowley Recruitment, 22/26 Commercial Road, Southampton. SO1 0GE., (0703) 226361.

HARRISON COWLEY RECRUITMENT
THE REGIONAL NETWORK OF SAATCHI & SAATCHI PLC

ANTONY DUNLOP
ACCOUNTANCY RECRUITMENT CONSULTANTS

FINANCIAL CONTROLLERSHIP

For an ambitious and recently qualified Accountant

Surrey **C £28,000 + Car**

Our client, a highly acquisitive and dynamic communications company with a turnover exceeding £70 million, seek to appoint a new Financial Controller. The company is a major autonomous subsidiary of a diverse and much respected UK plc.

Reporting to the Finance Director, you will be responsible for the overall accounting function including staff management, timely production of financial and management accounting information and in-depth financial analysis. You will be actively involved in the enhancement of existing control systems and ad hoc projects. You will play a significant part in their continued expansion plans to be achieved by organic *growth and future acquisitions, within the UK and Europe.*

To meet the challenge of this exciting opportunity, you must be a qualified Accountant, aged 26-30 with a proven commercial background and possess sound business acumen. Knowledge of a European language would be helpful as some travel to overseas operations is envisaged.

To apply, please contact Caroline Myzak at Antony Dunlop Ltd, 18 Jermyn Street, London SW1Y 6HP. Telephone: 01-439 6171. Curriculum Vitaa may be sent by post or fax on 01-734 4571. Or call 01-385 4434 outside working hours.

LONDON AND AUCKLAND

Financial Director

Thames Valley **around £50,000 + bonus + car**

As the result of continuing expansion both by internal growth and by acquisition, our clients, one of the principal divisions (t/o £250m) of a major UK based international group, have created the role of Financial Director. Working closely with the Managing Director and assisted by a qualified staff, the successful candidate will play a major role in the division's planned expansion including development into continental Europe. He/she will have particular responsibility for the evaluation of potential acquisitions, the review of capital projects and the day to day responsibility for all aspects of financial control. Applicants will probably be Chartered Accountants, aged 32-37, who have already worked in a similar environment and possess the necessary entrepreneurial skills to succeed in a fast moving organisation. There are exceptional opportunities within the group for career progression. Ref. 2116/FT. Write or telephone for an application form or send full details (with daytime telephone number and current salary) to R.P. Carpenter, FCA, FCMA, ACIS, 2-5 Old Bond Street, London W1X 3TB. Tel: 01-493 0156 (24 hours).

Phillips & Carpenter
Selection Consultants

RECENTLY QUALIFIED ACCOUNTANT?

We'll help you get your career off-the-ground

Quality and service are the key to the success of British Airways.

We offer you the opportunity to join in the success of a dynamic, worldwide business — a leader in its field.

Within Engineering, the Materials Management & Component Overhaul Business Centre, with an annual budget in excess of £100m, is a technically advanced support unit which focuses on providing a first-class service to our customers.

Managing technical parts inventories and workshop facilities, we help keep our aircraft in the air by ensuring the right component is available at the right time. A complex and fast moving responsibility demanding sophisticated financial and materials control techniques.

Join us and you will assist in developing our service, making use of recently introduced MRP techniques and aiding our move towards a comprehensive JIT environment.

As one of our Heathrow based management team, you will liaise with line managers to evaluate projects and initiate/monitor performance measurements. As well as provide cost information and inventory advice, and assist in the business decision making processes.

To succeed, you'll need to be an articulate and self-motivated Accountant. Someone with the innovative ideas (but not necessarily the experience) to develop modern financial reporting control techniques and information processes for one of the most demanding environments our industry can offer.

How many young and recently qualified accountants could hope for a better opportunity than that?

The rewards include a competitive salary, profit sharing, holiday travel opportunities — and excellent prospects within the major British Airways Group.

Ready to get your career off-the-ground?

Then please write with a full cv, including current salary details, to: Selection & Assessment, Ref: RJ/1662, British Airways Plc, "Meadowbank", PO Box 59, Hounslow TW5 9QX.

Closing date for applications 21st July, 1989.

BRITISH AIRWAYS

Senior Financial Manager
Banking

Bristol **c£30,000 + Car + Relocation + Bank Benefits**

Our client is one of the leading names in financial services and is currently in the process of relocating part of its head office to the City of Bristol.

As a result of this move, a need has arisen for a senior financial manager to step into an influential role within the Financial Control Department. The role has responsibility for the development of financial data for the annual business plan and budget and for ongoing re-forecasting within the Personal Banking sector. It also involves monthly monitoring of actual performance against budget and the development of computerised decision support systems.

The reporting lines include significant involvement at senior line management level. There is also responsibility for a small team with a variety of skills and expertise and will have wider responsibilities for ad hoc project work, including new product launches.

Preferably, a graduate, the successful candidate will be an experienced, qualified accountant who has developed in a high quality environment where he/she will have gained exposure to all aspects of commercial accountancy. The candidate will also need to have a high level of commitment, be a strong self starter and have excellent communication skills in order to take full control of this key position.

In return the organisation offers not only a variety of options for career development but also a competitive salary package including car, banking benefits, and full relocation.

Suitably qualified candidates should write in the first instance to John Keefe at Michael Page Finance, 29 St. Augustine's Parade, Bristol BS1 4UL. Tel: (0272) 276509.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Finance/Deputy Managing Director

Broadsystem Telephone Publishing Ltd.

London NW1 **c£45,000 + Benefits**

Broadsystem Limited is Britain's largest independent premium telephone information and entertainment provider, offering sports, financial and entertainment services. Broadsystem received early recognition as runner-up in the 1986 Sunday Times Arthur Andersen venture-backed company award and has since continued to develop rapidly.

Broadsystem is extremely well-positioned to take full advantage of a number of exciting growth opportunities and seeks to strengthen the business through the appointment of a Finance/Deputy Managing Director. Reporting to the Chief Executive you will have responsibility for the finance function including the development of financial policy and procedures. In addition you will be required to implement a more sophisticated management structure as the company grows whilst maintaining a flexible approach to the needs of the market and a 'small company' environment.

The successful candidate is likely to be a qualified accountant or an MBA, aged 33/40 with an excellent track record of achievement. A sound knowledge of computerised accounting systems together with a high level of interpersonal skills will be necessary to make an effective contribution to the profitable development of the company.

The remuneration package includes an attractive salary, appropriate company car and the opportunity for equity participation. Please write enclosing full career and salary details to Stephen K. Banks, ACMA at Michael Page Finance, 39-41 Parker Street, London WC2B 5LH, alternatively, telephone him on 01-831 2000.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Reporting to the Board–Consumer Advertising
Financial Controller

Knightsbridge **c.£30,000 + bonus & car**

This medium size consumar advertising agency is highly successful with an outstanding reputation for creativa campeigns on behalf of major commercial and public clients. Employees total around 65 people.

Tha Financial Controller, reporting to the Deputy Managing Director, has overall responsibility for all accounting, financial and administrative matters. This broad autonomous rola calls for strategic commercial advice, good staff management (4-5 people), a disciplined approach to production of statutory accounts and creation of computerised management information for tha Board.

You will be a graduate-calibre, qualified accountant, probably under 30, and looking for your second job in commerce (alternatively an axperienced audit manager with commercial acumen). You bring maturity, an organised hands-on approach, toughness and a willingness to accept responsibility. Advancement prospects are excellent, in line with the Company's divarse growth plans.

The competitive remunaration package includes car, pension and profit related bonus (not guaranteed but anticipated to be 8-10%).

BDO BINDER HAMLYN

Please write in confidence, giving full career and salary details, quoting reference 1590, to Barbara Robertson, or call her on 01-583 3303.

BDO Binder Hamlyn Management Consultants
8 St. Bride Street, London EC4A 4DA

Financial Planning and Analysis Manager

MANCHESTER, £30,000 + BONUS + CAR

The UK sales and marketing company of a major computer manufacturer comprises a number of business units that focus on key industry sectors. Two of these are now being merged to form a major commercial entity with turnover in excess of £150 million and some 650 staff.

The restructuring has created the need for a senior manager to provide a financial planning and accounting service to the unit. Responsible for a small team, you will have a wide role that encompasses both the preparation of financial plans, budgets and forecasts and the reporting and monitoring of financial results and trends. In particular, you will be expected to ensure that the accounting systems and processes are developed to the highest professional standards and to meet the changing needs of the business. A priority will be the successful integration of the finance functions of the two business units.

This is an excellent opportunity for an ambitious graduate accountant to join a substantial multinational organisation, where management development and progression are given high priority. You will be in your late 20's or early 30's, with several years post qualification experience gained in a senior financial role in commerce or industry.

Résumés please including a daytime telephone number and an indication of present salary to Peter Jones, Coopers & Lybrand Executive Resourcing Limited, Abacus Court, 6 Minshull Street, Manchester, M1 3ED, quoting reference P175.

Executive Resourcing Coopers & Lybrand

REED... accountancy

EC2 **£30,000**

Finance Manager

Pro-active, highly individual position involving high degree of analysis and special project work. Reporting directly to UK Chief Executive of financial institution. Ref 98124

For further details contact:
The Manager, Reed Accountancy,
47 Brompton Road, Knightsbridge
01-584 6677 Fax 01-823 9430

BROMLEY **£30,000**

Finance Controller

Major leasing company seeks dynamic accountant with market awareness to handle high level acquisitions, treasury management, leasing and financing projects. Ref 61255A1

For further details contact:
The Manager, Reed Accountancy,
28 High Street, Bromley 01-290 6688
Fax 01-464 6696

Phone or send your CV to the appropriate manager, or request an application form. Out of office hours, call 01-770 7780 or 0483 740401. Reed actively promotes Equal Opportunities.

The Guernsey Press Company Limited

MANAGEMENT ACCOUNTANT

Guernsey **£20,000-£25,000+Benefits**

A diversified printing/publishing company, the Guernsey Press Company Limited is a well established Guernsey based company who are owners/publishers of the island's daily newspaper. They are currently seeking a high calibre person to join the senior management team.

The successful applicant will be innovative, dynamic and have sound commercial experience. Along with the attractive salary there is a comprehensive benefits package including relocation assistance. Why not take advantage of the low tax rates and high quality of life on Guernsey. The appointment will be a 5 year contract unless an applicant has local residential qualifications.

For further information contact: Accountancy Personnel, 1-2 Portland Street, Southampton, SO9 1FH. Tel: 0703 636111.

FINANCIAL ACCOUNTANT

NW1 **£24,000-£30,000+Benefits**

Our clients, a newly formed subsidiary of a U.S. company providing TV programmes to cable & satellite stations are poised for rapid expansion.

Central to these plans is the need to recruit a self-motivated Qualified Accountant with a shirt-sleeves approach. Spreadsheet experience is essential. The role is very much hands-on and involves overseeing the accounts department, compiling monthly reports and operating to tight deadlines. The prospects are excellent. Ref: LG/71

For further information contact: Accountancy Personnel, 14 Great Castle Street, London W1N 7AD. Tel: 01-580 9188.

FINANCIAL CONTROLLER

CONFIDENTIAL

Essex **c£27,500+Car+Benefits**

Our client is an electronics subsidiary of a multinational corporation who for over 40 years has been at the forefront of technology. Boasting a diverse client base that includes Government, Public Authority, private enterprise and industry, this dynamically led manufacturing company is poised for further expansion.

In accordance with this, a senior Financial Controller is sought to provide quality financial advice in appraising new business objectives. Reporting directly to the Manager of Operations you will become involved in a wide range of business activities that are set to excite the commercially minded ...

If you are a qualified accountant with a "blue chip" background and a talent for communicating ideas and information, this challenging opportunity could be yours.

For further information contact: Accountancy Personnel, 2nd Floor Offices, Bank Chambers, New Street, Chelmsford, CM1 1BA. Tel: 0245 262510.

FINANCIAL CONTROLLER —MUSIC INDUSTRY

SE1 **£30,000**

This well known, rapidly expanding music and record company with a turnover of £20 million is looking to replace the current financial controller. Involved in all aspects of the music industry from the writing of popular songs to the manufacture and marketing of the discs, this company is looking to expand its operations into France and the USA. Reporting to the Managing Director and the Chairman, the Financial Controller would be responsible for the preparation of all statutory accounts and the general management and administration of the accounting department. Flexibility, flair and the desire to be involved in acquisition work and financing is essential. Ref: KW/PF

For further information contact: Accountancy Personnel, 9 Eastcheap, London EC3M 1BN. Tel: 01-626 0666.

self serve

ACCOUNTANT

£17,000–£20,000 + BENEFITS **NORTH SURREY**

Self Serve Hygiene, market leaders in the hygiene supplies business, are looking for an Accountant.

The successful applicant will be able to fit in with a team, work independently and make their own decisions. The position would suit a recently qualified person or someone with relevant experience.

Working closely with the Company Secretary they will supervise a small team in the production of financial and management accounts and will control financial records for the group.

If you want to join a thriving concern with an exciting future, we want to hear from you!

For further information contact: Accountancy Personnel, 10-16 Castle Street, Kingston, Surrey KT1 1SS. Tel: 01-541 4555.

Accountancy Personnel
Placing Accountants First
Hays
A HAYS PERSONNEL SERVICES LIMITED COMPANY

Financial Controller

Northern Home Counties
to £30,000 + Executive Car

The company is primarily a marketing and distribution operation and has experienced a healthy rate of expansion in recent years with plans developed which will ensure that this continues.

As an organisation they value quality and style and this is reflected in the calibre of staff which they attract.

Currently they require a qualified accountant who will take control of all financial matters with an emphasis on reviewing and improving the standard of management reporting.

They are looking for someone who will make a positive contribution and can demonstrate an innovative approach, management expertise, computer literacy and, of course, technical competence. Candidates, probably aged 30/40, can look forward to working in a challenging environment.

To apply in the strictest confidence, please telephone or write quoting Reference 015 to 160 New Bond Street, London W1Y 0HR. Tel: 01-499 7761.

OHP Search & Selection

Finance Director

c£55,000 + share options + benefits East Midlands

A rare opportunity for a first class finance professional to achieve a major career success with a fast-growing British public company focusing on the motor industry.

THE COMPANY

◇ Highly regarded business with a turnover exceeding £200 million. Planning to accelerate growth.

◇ Requires excellent financial direction to maximise the future business performance and profitability.

THE POSITION

◇ Responsible to Managing Director for financial strategy, external financial relationships, corporate finance, controllership, treasury and secretarial functions.

◇ Full participation in overall business strategy.

◇ Design and implement effective financial policies, budgeting, planning and reporting.

QUALIFICATIONS

◇ Chartered Accountant, aged 33-40, with successful track record of financial management.

◇ Strong controllership and computer-based systems experience.

◇ Ability and experience to communicate with the City on all corporate and financial matters.

◇ Good personal presence, leadership qualities and effective communication skills.

◇ Ability to demonstrate commercial acumen and the credibility to gain the support of colleagues in implementing change.

THE REWARDS

◇ Attractive base salary, share options and executive benefits including fully expensed prestige car.

Please reply in writing, enclosing full cv, Reference H9913. 54 Jermyn Street, London SW1Y 6LX.

N-B SELECTION LTD

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BIRMINGHAM · 021-233 4656
SLOUGH · (0753) 694844
HONG KONG · (HK) 5 217133

Financial Controller

London

£30,000 - £35,000 + car + profit related bonus

A highly successful distributor of electric consumer products, our client is currently experiencing record growth. Its customers are blue chip retailers both in the UK and in other European countries.

A dynamic Financial Controller is sought to keep pace with the increased level of business. Prime responsibilities will be for running the accounts department and for advising the directors on specific financial issues.

Candidates should be qualified accountants aged 28 to 38 with knowledge of international trade. Computer literacy and strong management skills are also essential. Desirable personal characteristics are an assertive but flexible personality, strong negotiating skills and a "hands-on" approach to finance.

The role offers good prospects for career progression. As well as a salary of £30,000 to £35,000, the successful candidate will receive a profit related bonus and a company car.

Please write in confidence, enclosing full career details, quoting ref: SHA 1339 to Kelly Iriondo at the address below.

Stoy Hayward Associates

MANAGEMENT CONSULTANTS, EXECUTIVE SELECTION DIVISION, 8 BAKER STREET, LONDON W1M 1DA
FAX No: 01-487 3686

A member of Horwath & Horwath International

Appointments Advertising

For further information

call 01-873 3000

Deirdre McCarthy ext 4177

Paul Maraviglia ext 4676

Elizabeth Rowan ext 3456

Patrick Williams ext 3694

Candida Raymond ext 3351

Head of Accounting & Finance

Reading — **c. £50,000**

Our client, the profitable and autonomous subsidiary of a major bank, is one of the fastest growing financial services companies in Europe. With 100 employees and offices nationwide, it provides working capital for companies. It is already poised to double its client turnover of £500 million this year, and has an ambitious but clearly credible management philosophy which intends to increase turnover and profits at least five times in five years.

With a compact staff of 10, this job would have many faces: chiefly, Financial Controller, Company Secretary and Treasurer. The emphasis is on discipline – maintaining tight and detailed Budgetary Control while able to produce management information effectively for an aggressive Chief Executive.

The ideal candidate will be a graduate CA aged under 40, with experience of the ebullient financial services sector, a beady eye for detail, and a boyish enthusiasm for profit and growth. To such a one we would want to talk about a directorship, share options and even general management. Send a full CV to Mrs Indira Brown, Berndtson International Ltd., 6 Westminster Palace Gardens, Artillery Row, London SW1P 1RL. Telephone: 01-222 5555.

FINANCE DIRECTOR

RETAIL

Central London — **Aged 30-40** — **£40,000 + Car**

Our client is a newly formed organisation within the retail sector with a major expansion and development programme.

To help create and then head up the finance department, there is an immediate need for a Finance Director to join the management team.

The role will focus on liaison with City institutions and banks, and the development of management information systems.

The ideal candidate will be a commercially minded accountant with imagination and entrepreneurial skill and extensive retail exposure.

To establish this fledgling department the Finance Director must have the commitment and the strength of character to push ideas through from creation to completion.

The package will consist of a good base salary, a performance-related bonus and equity participation.

Interested applicants should telephone Giles Daubeney on 01-437 0464 or write to him, enclosing a detailed CV, at the address below.

ROBERT • WALTERS • ASSOCIATES

RECRUITMENT CONSULTANTS

Queens House 1 Leicester Place London WC2H 7BP
Telephone: 01-437 0464

CAPITAL CAMERAS LTD

PART BROWN & JACKSON PLC

FINANCE DIRECTOR

c£35,000 + car - CRAWLEY

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NEW STORE OPENINGS FROM AUGUST REQUIRE COMPUTER DRIVEN CONTROL. COUPLED WITH 'IN STORE' EXPANSION THROUGHOUT 160 STORE GROUP 'POUNDSTRETCHER' DUE TO COMMENCE OPENING SHORTLY AMBITIOUS QUALIFIED ACCOUNTANT 25-30 YEARS WITH COMPUTER/COMMERCIAL EXPERIENCE TO JOIN OUR TEAM BASED IN CRAWLEY.

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24-28 THE BOULEVARD, CRAWLEY, SUSSEX RH10 1XP

pes

FINANCIAL CONTROLLER

City based plc — **up to £40,000 + car**

A leading role in the Management of Change

Our client, a market leader, is a company within a major financial services group operating through offices worldwide. As part of an overall group drive to provide improved financial management, they wish to enhance their team with the appointment of a Financial Controller.

Reporting to the Finance Director, your principal responsibilities will include the design and implementation of a comprehensive financial planning process, the development of new management/financial accounting and reporting procedures and the establishment of improved control and reporting on treasury, foreign exchange and funds flow activity. Additionally, you will be expected to exercise enhanced control over company balance sheets, with particular emphasis on establishing performance ratios and criteria.

To meet the demands of this role and the rapidly changing company environment, you will need to be a qualified accountant, probably a graduate and will be aged 30+. Experience of planning in a financial intermediary would be advantageous. Your personal qualities must include drive, self-motivation and the ability to communicate effectively with management at all levels.

To apply, in the strictest confidence, please write enclosing a full C.V. and salary history to:
Jeremy Lancaster,
PROBE EXECUTIVE SELECTION,
15 Artillery Passage, Bishopsgate, London E1 7DL.

a division of PROBE MANAGEMENT plc

Enter the expanding world of leasing

IBM United Kingdom Financial Services Limited is a wholly owned subsidiary of IBM UK Holdings Limited, established in 1983 to provide a flexible finance service to IBM customers.

To help us sustain our continuing rapid growth and manage our substantial and increasingly complex portfolio, we are now seeking the following high calibre individuals.

Leasing Consultants

Portsmouth

Working at our North Harbour Headquarters and liaising with colleagues from our European Headquarters, Marketing Groups and Parent Company you will gain valuable expertise in every aspect of leasing including development of offerings, pricing, accounting and all related administration processes.

An ambitious, recently qualified accountant or a graduate intending to take an accounting qualification, you will need to combine sound technical understanding with strong communication skills. Previous experience within the leasing industry would, of course, be an advantage but is not essential.

Ref. FSL 1.

Lease Marketing Consultants

Midlands and North

Working closely with IBM account teams and visiting customers directly to determine their financial needs, you will be involved with the development, marketing and sale of leasing packages to meet those needs. This is clearly an excellent opportunity for qualified accountants, to apply their financial talents to a variety of situations, while at the same time developing new skills in general commerce.

Ref. FSL 2.

In both cases, you will receive a competitive salary and benefits package and be able to take advantage of the rapid and diverse career development available throughout IBM.

Please write with full career details, quoting the appropriate reference, to Jane Miller, Central Recruitment, IBM United Kingdom Limited, Alencon House, Alencon Link, Basingstoke, Hampshire RG21 1EJ. Tel. Basingstoke (0256) 56144.

"I think, therefore IBM."

IBM

FINANCIAL DIRECTOR

Fareham, Hampshire — **c.£35,000 + Benefits**

Ocean Sound is the Independent Local Radio station for Portsmouth, Southampton and surrounding areas. It has one of the most successful start up records of any ILR in the UK since establishment in 1986.

From this well founded base we are planning significant further expansion through strategic investments both in the UK and Europe. We now require a high calibre and ambitious accountant to join our small executive team to implement our plans.

We operate within a challenging environment created by both the impending changes in the regulation of UK broadcasting and the business opportunities that flow from European harmonisation.

Our preference is for a Chartered Accountant, aged early/mid 30's, with excellent communications and leadership ability who has a mix of service/media industry experience and a strong corporate finance and treasury background. We already have a well organised accounting staff. In addition to maintaining and developing that function, we require both an expert finance input and mature business judgement to contribute to the decisions that will shape the future growth of the Group.

Our remuneration package will be highly competitive, with all the customary benefits and a basic salary in the region of £35k.

If you believe you have the qualities and experience we are seeking, then please write with full CV to: David Lucas, Managing Director, Ocean Sound (Holdings) plc, Whittle Avenue, Segensworth West, Fareham, Hants. PO15 5TA.

ocean sound

McLACHLAN & BROWN

ASA International

BUSINESS GROUP MANAGER

GLASGOW — **c £30,000**

McLachlan & Brown are reputedly the leading major independent firm of Chartered Accountants and Business Advisors in Scotland. Their ethos is that of advisors to business people offering a dynamic, positive and entrepreneurial approach which assures every client has a close and profitable relationship. This philosophy has resulted in a growth rate of over 30% in each of the last five years and mirrors the widely reported status of their associates, Stoy Hayward, as the fastest growing 'Top 20' UK firm of chartered accountants.

As Business Group Manager you will lead a team providing a wide range of client services including audit, management reporting, acquisition and expansion investigations and a variety of business advisory assignments. Management responsibility and commitment must be at the highest level and will include involvement in staff training and motivation and practice development. Emphasis will be placed on raising awareness of the firm's full range of specialist services to both existing and potential clients and as such represents excellent business development experience.

The successful applicant will be a Chartered Accountant aged 28-36 with a confident outgoing manner, management expertise and the ability to respond effectively to client and practice needs. Your ultimate career goal must be partnership. An excellent package is available including relocation expenses.

For further information please contact:
NICK BLACK or LINDSAY WEIR on 041-221 4166 (office), 041-644 5482 (evening or weekend)
or send your C.V. to

ASA International
69 St. Vincent Street
Glasgow G2 5TF.

ASA International

ASA INTERNATIONAL

Hagen & Company (UK) Ltd is an investment firm specializing in corporate restructurings. It currently serves as financial advisor to companies engaged in the shipping, oil, offshore and transportation industries.

The Firm now seeks

FINANCIAL ANALYSTS

whose main functions will be

- Analysis of industry developments
- Evaluation of investment opportunities
- Participation in the structuring of deals
- Liaison with management of companies in which investments are made.

The positions are ideally suited for young, ambitious persons with

- Qualifications as either a Chartered Accountant or a Master in Business Administration
- Strong analytic skills
- Good communication skills

The persons will be based in London, but should be prepared to spend time also in Oslo and Luxembourg.

The Firm offers a challenging work environment with excellent prospects for career development. Compensation will be based on performance, with possibilities of participation in ownership.

Interested candidates can contact Torstein Hagen or Lars Patterson in London on 01-629 2359 or forward their curriculum vitae to:

Hagen & Company
103 Mount Street, London W1Y 5HE
Member of IMRO

THE PRESS ASSOCIATION LIMITED

FINANCIAL ACCOUNTING MANAGER

LONDON **C. £22,000**

The Press Association, Britain's National News Agency requires a Qualified Accountant to join our restructured Finance Department. Reporting to the Chief Accountant, you will have responsibility for the preparation of financial accounts, the management of twelve staff and the application and development of financial controls and procedures.

You should be a qualified accountant ideally with up to three years post qualification experience possibly within a large practice.

Applications including a full C.V. should be addressed to:

The Personnel Officer,
The Press Association Limited,
85 Fleet Street, London EC4P 4BE

TREASURY MANAGER

Central London **c. £50,000 + car**

As a result of internal promotion, an exceptional opportunity has arisen in this high profile, £ multi-billion turnover plc which has up to £2 billion invested in the money markets and a debt portfolio of £1.5 billion.

Reporting to the Treasurer, and supported by a team of about 20 managers and specialists, you will be responsible for corporate funding and investment activities and for the optimisation, development and administration of a wide range of treasury operations. As a senior member of the corporate finance team you will play a key part in the continued growth and profitability of the organisation.

You should already be in a senior corporate treasury role and now be ready to take greater strategic and management responsibility in a large and growing international environment. Combining a high level of technical expertise with an innovative outlook, you will create new business opportunities by extending the range of instruments employed and assisting in the development of advanced support systems.

Please send a career résumé, with salary history and day-time telephone number quoting reference 3024, to Neil Cameron, Executive Selection Division.

Touche Ross
Thavies Inn House, 3/4 Holborn Circus, London EC1N 2HB.
Telephone: 01-353 7361.

MONTE CARLO

NEWLY-QUALIFIED ACA

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With the ever-increasing trend towards de-regulation of international markets worldwide, this Monte Carlo based trading company is ideally placed to continue its impressive recent growth record. As part of current expansion plans, a need has arisen to recruit a Finance Manager to play a key role in the restructured accounts department.

Working alongside international dealers, the environment is dynamic and entrepreneurial, with emphasis placed on a practical, hands-on approach to problem solving. Reporting to the Group Financial Controller, your duties will include the preparation of management information for the main trading subsidiary, periodic reviews of the company's international operations, assistance with year-end financial reporting, and implementation of a group level computing system.

This is an excellent opportunity for a young, highly-motivated Chartered Accountant to obtain valuable commercial experience, enjoying the additional benefits of working in Monte Carlo, and gaining an insight into European business practices.

The ideal candidate will be a graduate newly-qualified ACA from an international accountancy practice, able to demonstrate strong inter-personal skills, and a flexible approach.

In addition to a substantial tax free salary, five weeks holiday, and other benefits, the company offers excellent future prospects for a highly motivated individual.

For more information please telephone David Ryves or Patrick Johnson on 01-437 0464, or write to them, enclosing brief details, at the address below.

ROBERT • WALTERS • ASSOCIATES
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Queens House 1 Leicester Place London WC2H 7BP
Telephone: 01-437 0464

At the heart of change

DIRECTOR OF FINANCE

£31,000 with earning potential up to £38,000 PRP

Innovative and forward thinking in its approach, South West Surrey Health Authority is currently undergoing a period of considerable development, in response to the changing needs of the community.

Phase II of the new Royal Surrey County Hospital is due to open in the autumn. A major new college for nurses and midwives – a joint venture with two neighbouring Health Authorities – is under construction, with the first students due to start in January 1990. And it is possible that we will have a self-governing hospital within the District in the future.

Guiding us through this period of change will be a major challenge facing our new Director of Finance. Your influence will stretch far beyond financial matters and into the development of policy and resource managemeot, as a senior member of our corporate management team.

This high profile appointment offers considerable scope to a talented and ambitious financial professional, capable of managing a budget of £70 million (covering accounts, management accounts and payroll) as well as leading by example a highly professional finance team numbering 50+.

To fulfil such a role, your professional and management skills should have been finely tuned, ideally in a Health Service setting, although additional experience in the private sector would be an advantage. A qualified accountant (perhaps with an MBA or further degree), you will be highly motivated with exceptional communications ability and strength of character to effect change.

Where appropriate, a relocation package will be available to the highly attractive Guildford area, with its interesting mix of urban and rural, historic and modern.

For further information please contact: Peter Murphy, Director of Personnel, or Tish Harwood, Personnel Services Manager, at South West Surrey Health Authority, District Headquarters, Farnham Road Hospital, Guildford GU2 5LX. Telephone: Guildford (0483) 61612.

Applications by curriculum vitae please, to be received no later than Thursday 20th July, 1989. Final selection will be held from afternoon of Tuesday 8th–Wednesday 9th August, 1989.

South West Surrey Health Authority
With teamwork, health works

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Candidates should be young qualified accountants with a minimum of two years PQE, preferably gained in a progressive commercial environment. An enquiring mind, strong technical abilities and well honed communication skills are essential. This is a demanding role with real career prospects in a prestigious group. It will suit a confident, committed team player, who can combine astute commercial judgement with flexibility, diplomacy and determination.

Please reply in confidence, giving concise career, personal and salary details to Paul Carvosso, quoting Ref. L433.

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Talisman Accountancy has built a solid reputation within the temporary and part qualified sectors with limited exposure so far to more senior level eppointments.

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A Directorship will be offered within twelve months and the package, which includes a high basic salary, excellent bonus potential, share options and company car, is fully negotiable for the right individual.

To find out more about this outstanding opportunity, ring Neil Hadfield on 01-925 0848 or write to him, enclosing a cv, at The Talisman Group of Companies Ltd, Dorland House, 14-16 Regent Street, London SW1Y 4PH.

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N.W. London

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Due to e recent acquisition the Group now requires e Financial Controller to play a key strategic role in the development and management of e highly profitable business.

Working closely with the MD, you will be specifically responsible for strengthening financial controls, Improving the quality of management information end the development and motivatioo of staff.

Candidates should be fully qualified Accountants, aged between 26 and 35, assertive, self motivated and able to display drive end enthusiasm. Applicants will possess good men maoegement and communication skills. Preference will be givan to candidates with e retail or service sector background.

Please apply directly to Mergaret Handry at Robert Half, Freepost, Mountbatten House, Victorie Street, Windsor, Berks SL4 1YY. Telephone: 0753 857181 or evenings on 0753 860673. Alternatively, fax your details on 0753 860696.

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Financial Director
ITALY
c£30,000+
plus attractive benefits
(fluency in Italian required)

My client is the ITALIAN subsidiary of a diversified Multinational (British) Group.

The Company is a specialist Engineering/Services Company - enjoying growth both organically and by acquisition.

The FINANCIAL DIRECTOR will control a small staff - working closely with the Managing Director in the administrative control of the Company - and with the brief to strengthen Management Information reporting to the London head Office.

The role will call for further development of Accounting Systems - improving controls of Invoicing, Debtors, Stock Control, Purchasing, Inventory, Profitability studies, Budgets and reporting procedures. A new Integrated Computer System will shortly be introduced and it is important that applicants have good Systems experience - together with skills in training and motivating staff.

Applications will be welcomed from qualified Accountants - who must be fluent in Italian. The preferred age is 25 - 40 and in addition to proven Technical accounting skills, we seek abilities in liaison, reporting and communication.

To apply - please contact ARTHUR FLITTER Adviser to the Company.

Beaumont Accountancy Recruitment

Beaumont House, Station Path, STAINES, Middx. TW18 4LA
0784 462131 (24 hours)

B M S

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A MEMBER OF BLUE ARROW PLC

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GROUP FINANCIAL CONTROLLER

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Our client is a major division of an expanding Plc, and leading British company in the field of animal health products. Currently with a T/O of £30 million, further rapid development is taking place via strategic acquisition in both the local and European markets.

The Group Financial Controller's role is a key position offering an exciting career challenge to a young, dynamic accountant.
In addition to day to day financial control and a variety of assignments further specific involvement will be in the:

Co-ordination and control of monthly management reporting and consolidation.

Divisional treasury functions, costings, budgets and corporate planning.

Analysis and review of performance with operating units and the subsequent implementation of agreed recommendations.

Analysis and appraisal of acquisitions and their integration into the group.

You will need to have proven experience in the above, be fully qualified with the desire to succeed. Ideally aged 30 - 40 years, ambitious, and possessing a mature attitude could ensure your career progression into a general management position.

The rewards are high. A comprehensive package includes a generous salary and profit related bonus. A fully expensed 2 litre car. A contracted out pension scheme. Free life assurance, BUPA and relocation package if required.

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Created over 30 years ago this major international media group has diverse interests in film, video, satellite and worldwide distribution services. Established leaders in their field, they have reached a key stage in their development.

An ambitious, qualified accountant, age under 30 years, with obvious man-management skills is sought to play a central role within the Finance function. Reporting to the Chief Accountant, you will be supervising an established team producing Group Accounts in a multi-currency environment. Additional responsibilities will include monthly reporting to Board level and a close involvement in the enhancement of computer systems.

A challenging opportunity, calling for the ability to motivate and develop team members, your personality and drive will therefore be more important than specific commercial experience. Benefits include 5 weeks holiday, pension, life assurance and share option scheme.

Write, with full CV and daytime telephone number, to Patrick Donnelly, quoting reference FT/048.

PD Consultants
MANAGEMENT · SELECTION
314/316 Vauxhall Bridge Road, London SW1V 1AA. Tel: 01-828 2275.

FINANCIAL CONTROLLER

£30,000 + CAR + BENEFITS

The Chillington Corporation Plc, a rapidly expanding international group whose activities include plantations, commodities, engineering and property is seeking to recruit a qualified accountant of high technical ability and commercial acumen to join its small Head Office team.

Specific responsibilities will include interim and annual statutory reporting, management accounting, taxation, treasury and computer systems appraisal. In addition to routine responsibilities there will also be 'ad hoc' assignments, involving current subsidiaries and potential new acquisitions, in the UK and overseas.

Applicants aged 28/38 should be adaptable and enjoy working in a challenging and dynamic business environment.

Please write with a full CV to Geoff Moores, Finance Director, The Chillington Corporation Plc, 81 Carter Lane, London EV4V 5EP.

ROBINSON GROUP
GROUP FINANCIAL CONTROLLER

Circa £30K + Car and Bonus

The Robinson Group is a £40 million turnover private Company, manufacturing soft drinks and packaging materials. The Company has recently restructured into two Operating Divisions in order to maximise market focus and take advantage of the dramatic growth opportunities available to its core businesses. Turnover and profit will continue to expand substantially by organic growth and by a planned programme of acquisition.

The growth strategy now requires the appointment of a high calibre professional to this new appointment which reports to the Group Financial Director.

The overriding aim is the maintenance of strong financial controls and best accounting practices within the Robinson Group.

The key responsibilities are:-

Preparation of accounts and statistics for Group Board Meetings.
Co-ordination of the short/medium term planing process.
Investigation of potential acquisition targets.
Treasury Management.

Candidates should be ACA or ACMA, aged probably 30 to 40 with manufacturing experience within an operating Division, plus a period spent at Group/Head Office level. You should possess a keen intellect and energy combined with the confidence and professional skills to communicate at Main Board and Divisional level.

The remuneration package includes a substantial performance bonus, fully expensed executive car, private medical insurance and a generous relocation package to this attractive rural Midlands location. In return you will enjoy a challenging and diverse role with considerable scope for personal and career development.

Please telephone or write for an application form to:-
Graham Shaw, Personnel Manager, C Robinson and Co Ltd, Tenbury Wells, Worcs WR15 8HB
0584 810567 Ext 270

Financial Controller
c.£30,000 + Car ++
Scotland

Our client is a major Scottish financial institution providing the complete range of banking, investment, advisory and other financial services. Recent restructuring has created this new role, which is to manage and strengthen the central finance department. Reporting to the General Manager Finance, the *Financial Controller* will run daily operations, provide support to the line divisions, and act as second in command.

Candidates must be graduate calibre chartered accountants preferably with some experience of working in a service-orientated industry and ideally in a company with highly-developed computerised accounting and information systems.

A flexible team player, this person will need good man-management skills and a high degree of commercial and business awareness. There are excellent long term career prospects for the right person. Age indicator: early to mid-30s.

Please reply, in strictest confidence, with full career details to Peg Eve, as adviser to the company, at Selection Thomson Ltd., 85/87 Jermyn Street, London SW1Y 6JD or 14 Sandyford Place, Glasgow G3 7NB.

Selection Thomson
London and Glasgow

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c£35,000 p.a.
Financial Manager – Consumer Business
SOUTHERN HOME COUNTIES
FMCG

A commercially minded graduate accountant, aged 30-40, with at least six years post qualification experience, ideally gained in an FMCG environment strong in both manufacturing and marketing. Will be responsible for providing a comprehensive financial business service, focusing upon strategic planning, business decision support and control. The focus is very much on the future. Must have sound leadership and people skills, both to provide direction to the small team of professionals he/she will lead and to function effectively as a team player within the organisation. Reporting directly to the Financial Director, this is an outstanding career opportunity to join a blue-chip multinational, the undisputed brand leader in its field.

Fringe benefits include contributory pension, annual bonus, company car, medical/life cover, relocation expenses.

Suitably qualified candidates please phone 01-600 4708 for an application form quoting GF972 (24 hour service).

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FINANCE DIRECTOR

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PACKAGE TO £37,500 + CAR

Young Chartered Accountant (28/35) having qualified with a major firm required by this rapidly expanding group in the leisure sector.

The Finance Director will be a member of a small Board and will control an existing Finance Department. The Finance Director will be responsible for the development of controls and management information systems as well as playing a part in identifying and reviewing acquisition targets.

The position will also carry responsibility for formulating corporate strategy.

The company is young and rapidly growing. The growth is largely dependent on acquisitions and funds for this have been made available by institutions. The group is planning a USM flotation within two years.

The group is involved in the acquisition and sale of leisure and health properties on behalf of clients. The client base includes a number of rapidly expanding and blue chip groups. The group has an excellent industry profile.

Applications in writing only to

T.A. Gill
Chief Executive
45 Defoe House, Barbican, London EC2

YOUNG FINANCE DIRECTOR

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This fast-expanding service company - an autonomous subsidiary (t/o approaching £15m) of a major international Group - has won an enviable reputation and an increasing share of its business sector through strong marketing and forceful commercial management. To continue this momentum, the Managing Director now needs a high-calibre young finance professional to bring added expertise to both financial control and strategic planning within the company.

Your initial task will be to review the present accounting systems and upgrade them to provide more effective management control information; in this, you will have the support of the latest IBM hardware and software options. You will then focus your attention on improving business performance over a broad spectrum - applying your commercial skills, working closely with operational colleagues and raising the service levels of your own financial department. You will quickly become a key member of the executive team.

To meet this major challenge, you will be a qualified accountant with a highly successful track record behind you. You will be energetic, confident, and relate well to others. The task is demanding; the opportunity to record a major personal achievement is enormous. And future prospects are outstanding, both in the company itself and in its rapidly expanding international parent.

Please apply to our Manchester Office where your contacts are Dudley Harrop or Audrey Shaw. Ref No. MX200.

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Small bank, situated in the West End, requires computer literate, qualified accountant (*ACA preferred*) with previous banking experience. Will consider candidates from the profession with relevant experience. Position unlikely to suit candidates with less than two years post qualifying experience. Some previous experience of the following would be useful:- running a small computer system; lotus 123; systems development and implementation of controls; management and statutory reporting; Bank of England reporting. *Salary negotiable from £25,000 plus benefits, including company car.*

Please write to Box A1259, Financial Times, One Southwark Bridge, London SE1 9HL

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ON PAGE 24

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- GRADUATE - RECRUITMENT

A FINANCIAL TIMES SURVEY
1st NOVEMBER 1989

Just when the supply of 18-20 year olds is set to decline, employers are becoming increasingly conscious that securing an adequate supply of graduates of the right quality is crucial to their success.

For their part most final year students are aware that market power has switched in their direction. They are more likely to scrutinise closely the prospects of a sector and compare what each employer has on offer before embarking on a career.

The FT's Graduate Recruitment Survey will be written by the newspaper's unrivalled team of specialist writers with the interests and standpoint of the final year undergraduate deciding which career to follow very much in mind.

The survey will be given free of charge to every final year student in the UK as well as those attending the top five universities in both West Germany and France.

To advertise in the most authoritative and comprehensive survey of graduate recruitment to be published by a national newspaper to date contact: Tim Kingham, Financial Times, Number One Southwark Bridge London SE1 9HI Tel: 01-873 3606, Fax: 01-873 3062

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

صورة من الاصل

INSIDE

Personalities behind the screens

Across the globe, from Hong Kong to Madrid, Vienna to Mexico City, the stockbroking community is full of characters who tackle the rigours of the job with energy and humour. In a new series, FT writers look at the personalities behind the portals of the financial houses. Today: the former diplomat who keeps a motherly eye on trainee dealers and analysts in Spain. Page 40

Regulatory role taxes dealers

The resignation of Mr Stanislas Yassukovich from his post as chairman of Merrill Lynch Europe/Middle East has raised again the question of whether the City of London's regulatory structure really allows self-regulation by practitioners. Norma Cohen examines the increasingly widely-held belief that the UK is slipping into a system of oversight by elder statesmen who are no longer actively involved in day-to-day affairs at large firms and by compliance officers who have never written a ticket or traded a position in their lives. Page 22

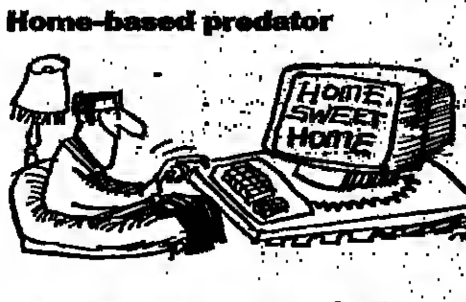
Hermit returns to action

For more than a year *Mr Mario Conde* (left), Spain's youngest, probably most famous and certainly best-looking banker, has shut himself off from the public and the scandals that surrounded his ill-fated attempt to merge his bank, Banco Español de Credito, with Banco Central. Now he has emerged from seclusion and is travelling around Europe to tout his latest idea. Page 18

Nikko steals march on rivals

Nikko Securities is putting the lie to the myth that most Japanese brokers do not need an international strategy — they simply follow Nomura Securities, the largest group. Nikko's decision to buy a $125m stake in the investment management subsidiary of US-based Wells Fargo Bank, is the biggest foreign acquisition so far made by a Japanese stockbroking group. Stefan Wagstyl explains how it has stolen a march on the rest of Japan's Big Four securities companies. Page 19

Home-based predator



The current spate of UK transport strikes does not worry Mr Robert Evans; he works from home. He is not, however, a self-employed businessman, but chief executive of a public company — Systems Reliability Holdings. And since joining it from foods group Hillsdown Holdings last year, he has launched the group on a phase of rapid growth worthy of his former employer. Philip Coggan reports. Page 18

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Chief price changes yesterday

FRANKFURT (DM)

Rises			
Allianz AB	1970	+	22
Dresdner Bk.	340	+	3
Falls			
Deutsche Bank	622	−	7
Hoesch	239.5	−	7
Linde	758	−	16
Thyssen	226	−	4

NEW YORK ($)

Rises			
Armstrong W.I.	47½	+	4
Echo Bay Mines	15	+	¾
Goodyear	54⅞	+	1⅞
Newmont Gold	34⅞	+	1⅞
Time Inc.	157⅝	+	3⅝
Falls			
Gen. Motors	40⅞	−	⅞

New York prices as at 12.30pm.

PARIS (FFr)

Rises			
Carrefour	3223	+	63
Moulinex	143.5	+	1.4
Paribas	504	+	4
Saint Gobin	635	+	1
Falls			
Alsthom	580	−	9
Michelin	183.5	−	1.6

TOKYO (Yen)

Rises			
Daikin Inds.	2040	+	170
Kyodi Sangyo	1640	+	160
Tokyu Store	1410	+	130
Falls			
Furukawa Batt.	1190	−	60
Ohbayashi Road	1250	−	60
Ricoh Elemex	2350	−	110

LONDON (Pence)

Rises			
Adwest Grp.	187	+	6
Arlington Secs.	273	+	13
BAT Inds.	665	+	5
Bennett & Fount.	98½	+	9½
Body Shop	741	+	14
Fairey Grp.	241	+	5
Hickson Intl.	276	+	8
Ivory Mer. Dev.	534	+	8
Macallan Glen.	435	+	10
Phoenix Timber	77	+	7
Plessey	252	+	11
Ramers	264	+	6
Scot. & Newt.	341	+	9
Sun Life	1093	+	30
Tozer Kem.	128	+	8
Falls			
Glaxo	1301	−	14
Imp. Chml.	1245	−	15
Land Secs.	562	−	9
Racal Elec.	414	−	21
Racal Telecom	373	−	23
Reuters	767	−	11
Rothmans	585	−	5
Shell Trans.	416	−	10

Plessey angrily pulls out of GEC talks

By Terry Dodsworth, Industrial Editor, in London

THE LATEST attempt by Plessey, the UK electronics group, to escape the threat of takeover collapsed yesterday when it pulled out of peace talks with the General Electric Company amid bitter recriminations over GEC's negotiating tactics.

Mr Stephen Walls, Plessey's managing director, suggested at a press conference that GEC may have been using the talks to "cause disruption and manipulate the market" in his company's shares. "I can see no basis for discussion with a group which cannot keep its word for two or three days," he added.

Plessey's share price jumped 11p to 254p yesterday as the stock market gained confidence that it would eventually be bid for by GEC and Siemens of West Germany. In the three previous days, Plessey shares had fallen from about 260p.

Mr Walls gave a blow-by-blow account of the negotiations, which revolved around Plessey's willingness to sell GEC its half-share in GPT, the telecommunications equipment joint venture in which the two companies are partners. He said they had been extremely amicable up to a crunch meeting on Tuesday evening.

At that point, Mr Malcolm Bates, GEC's deputy managing director, had presented four "unacceptable" demands. "Last Friday we thought we had something that was coming together," Mr Walls said. "We entered into these discussions with the best of intentions and I am extremely disappointed in the outcome."

Mr Walls implied that GEC had deliberately attempted to provoke the share price fall by starting the talks and then leaking information about them to the press. The two partners had had a firm agreement, he added, not to disclose anything about the discussions.

The fact that the news had got out meant that Plessey had itself been forced to issue a statement on the talks on Monday, which had further driven down the share price, he added.

Lord Weinstock, GEC's managing director, did not respond to calls last night. But a spokesman for the GEC/Siemens consortium, which first bid for Plessey last November, denied that the negotiations had gone as far as Mr Walls claimed. "They were only proposals being discussed, never an agreement," he said.

GEC is also clearly angry that Mr Walls' statement yesterday set a price of £855m on GPT. Under the terms of the joint venture agreement, neither company is supposed to disclose financial details on GPT, and outside valuations have up to now been a hit-and-miss affair.

By giving the figure, Plessey appears to be aiming to set a higher price on the group as a whole, whereas GEC claims that the net price it might have paid for GPT was about £800m after loan agreements were taken into account.

According to Mr Walls, the issue that caused the stalemate yesterday was a GEC proposal to form another joint venture between the two companies' naval systems divisions.

Plessey's sonar business in this area, which has a turnover of about £150m, roughly the same size as GEC's, is widely acknowledged to be its most profitable defence activity. The company makes the sonar systems for the Trident nuclear submarine. GEC has a monopoly on UK torpedo-building, which uses much of the same electronic technology.

A deal on these lines would not have made sense for the national interest, said Mr Walls. Nor, he added, with a touch of wry humour over the practicalities of running another joint venture with GEC, would it have seemed to be in shareholders' interests.

Lex, Page 16

Rondeleux to file for bankruptcy in Paris

By George Graham in Paris

THE Paris stock exchange is about to suffer its third bankruptcy in the space of one year. Rondeleux, ranked among the 10 largest firms in Paris by trading volume, is to file for bankruptcy today at the Paris commercial court.

Two other brokers, Baudoin and Buisson, had to file bankruptcy proceedings last year after incurring heavy trading losses on the financial futures market.

Baudoin has since been taken over by Finacor, the money-broking group. Buisson's Paris activities were absorbed by Lyon-based broker Richard, and its Marseille and Nancy operations by the Paris firm of Schelcher-Prince.

On top of these bankruptcies, the exchange itself has been hit first by heavy trading losses on its own reserve funds, and then by the need to make large provisions covering future losses by weakened member firms.

CIC-Paris, the main division of the state-owned CIC regional banking group, had taken a 14.4 per cent stake in Rondeleux last year, with the intention of raising its holding to 51 per cent.

The bank recently decided not to exercise this option, however, citing the disorder of Rondeleux's accounts.

Rondeleux's difficulties are understood to stem for the most part from problems in introducing a new computer system, which has created settlement and accounting difficulties.

The Paris stock market has worked hard over the past year to clear up outstanding settlement problems before the introduction of a new electronic settlement system at the beginning of next year, but a considerable volume of unsettled bargains remains to be solved.

Mr Regis Rousselle, chairman of the Paris bourse, said that the number of bargains more than three months overdue had been reduced from FFr17bn ($2.6bn) last September, but that FFr2.3bn was still in dispute.

Other back-office specialists have estimated that arbitration has resolved most of the solvable disputes, and that most of those remaining will now have to be registered as losses.

The stock exchange itself constituted provisions totalling FFr816m last year to cover potential losses at member firms, of which FFr349m had already been drawn on by the end of 1988.

● Nederlandsche Middenstands Bank, the fourth largest Dutch bank, is negotiating to acquire Paris stockbroker Hamant.

Becalmed in the Bermuda Triangle

Andrew Hill finds US arbs all at sea

BECALMED in the eye of the Sea Containers storm, New York arbitrageurs are beginning to get nervous.

The arbs are thought to hold 15 per cent of the ferry and container group's shares. They leapt in four months ago when Stena, a private Swedish ferry group, bought an 8.2 stake, pushing the price up from about $35 a share to more than $45.

A $60-a-share hostile bid from Temple Holdings — a vehicle for Stena and Tiphook, the quoted UK container rental group — drove the price still higher at the end of May. But since then, the waters have been muddied by a series of legal skirmishes and a profusion of press reports, mostly inspired by Mr James Sherwood, Sea Containers' irrepressible president.

Out of the chaos has come stalemate. Mr Sherwood and his counterparts at Stena and Tiphook have not met since the $824m (£532m) bid was launched. They have swapped letters, while their legal advisers have swapped lawsuits across courtrooms in Bermuda and Washington DC.

Having already grown fat on the phoney war of injunction and counter-injunction, those lawyers will today begin the latest round of legal proceedings in Bermuda. The supreme court is to consider the legality of Sea Containers' subsidiaries buying shares in the parent, and of the group's "poison pill" shareholder rights plan.

If the case goes against Sea Containers, 20 per cent of the group bought by subsidiaries before the bid was launched may be nullified or sold back to the original vendors.

That would throw the weight of the bid back onto the key question of price.

"So far, the legal battle has been nothing to do with price, quality or value — it's been to do with should they have done this or done that," complained a UK analyst yesterday.

For outsiders, it has been difficult to assess the actual value of the target and the quality of the bid, for a number of reasons:

● It was launched in the US, where most of Sea Containers' shares are held, so statements have mostly been framed as formal filings to the Securities and Exchange Commission;

● Temple, until 10 days ago, was prevented from pursuing its bid by injunctions in the Washington district court;

● Few analysts follow Sea Containers closely, because of its complex structure: based in London, registered in Bermuda, quoted in New York;

● Temple and Sea Containers have been conducting their bid and defence at arms' length, as each side waits for the other to provide concrete evidence of its financial position.

But observers seem to be united in feeling that Stena and Tiphook — which would break Sea Containers into its component Sealink British Ferries and container businesses if the bid were successful — will eventually have to offer more than $60.

Temple has been needling Sea Containers and its president quite effectively and the shares have come down from over $72 — a price which was unsettling even the most bullish New York investors — to around $67. That could be shaken down still further if the Bermuda court decision goes in Temple's favour. But few are prepared to bet on how Bermudan companies law, which is based broadly on the UK model, should be interpreted.

The respective tactics of the two sides have not helped simplify the battle.

Mr Sherwood — American, autocratic (though he denies it) and aggressively protective of the company he founded in 1965 — could hold the key to the resolution of the bid. His strategy so far has been at best unorthodox.

On June 17 and 18 he told UK reporters that he thought that defensive plans for Sea Containers could realise between $70 and $100 per share for investors. He also suggested he would carry out those plans within a month: it will soon be three weeks since those comments.

Subsequently, Mr Sherwood added to the confusion by suggesting to the Financial Times that Lazard Frères had valued Sea Containers at $2bn, or "more than $100 a share."

Sea Containers' advisers admit privately that it is difficult to rein in Mr Sherwood. Among other tactics, he claimed Stena's founder, father of present chief executive Mr Dan Sten Olsson, had traded illegally with the Eastern bloc.

Mr Sherwood later accused the press of reporting his comments on the valuation of the company inaccurately, and two weeks ago Sea Containers had to file an amendment to its original SEC document in New York.

The amendment hedged Mr Sherwood's earlier comments by saying that the president had not indicated that a $70-$100 value "was guaranteed or assured, only that in the company's view such a result was possible of attainment," and that the $2bn valuation had been made before subtracting debt and the value of redeemable preferred stock.

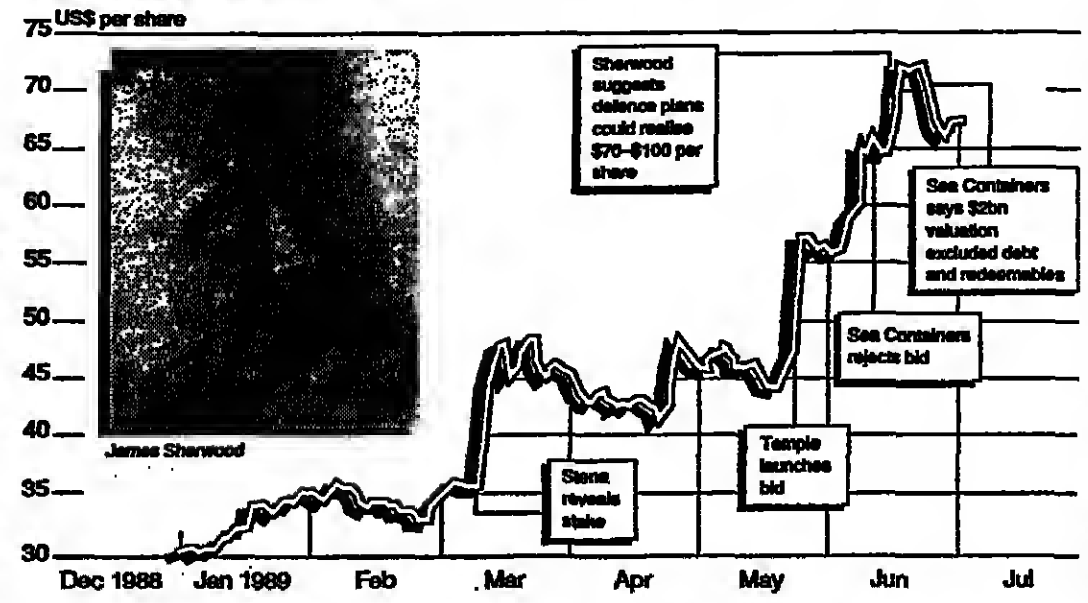
Tiphook's chairman, Mr Robert Montague, believes Mr Sherwood will still have to come up with a rescue plan — recapitalisation or a leveraged buy-out are the two possibilities being considered — if only to pacify the arbs.

He also knows that under US bid rules, Temple can always walk away from Sea Containers — in the hope that the price will drop to something nearer the $33 a share at which Stena first bought its stake — before returning to snap the company up.

Not that Temple itself has done much to shake the stalemate so far. Stena and Tiphook are expected to produce their own summary of The Story So Far in the next day or so, but until Mr Sherwood backs up his valuation they look unlikely to sit down and do some serious talking.

Meanwhile, the shares themselves seem to have stabilised, perhaps in sympathy with the latest legal tug-of-war: when Sea Containers sued Temple last week for allegedly talking down the group's share price, Temple promptly responded with a suit against Mr Sherwood for talking the shares up.

Sea Containers



Gold Fields deal coolly received

By Nikki Tait in London

THE DECISION by Consolidated Gold Fields, the mining investment company, to give up its fight for independence and agree to a revised £3.5bn offer from Hanson, the UK-based conglomerate, received a lukewarm reception in London yesterday.

A number of fund managers expressed unhappiness at the final terms The Gold Fields share price tumbled by 25p to £14.65.

During the previous eight-month bid battle between Minorco, the South African-controlled investment company, and Gold Fields, it rose as high as £14.76, before slumping to under £12 when the offer lapsed in the face of US legal obstacles.

When Hanson's initial cash bid of £14.30 arrived two weeks ago, the shares revived sharply, quickly surpassing the offer price as the market speculated that Gold Fields would push Hanson higher in return for agreement.

Under the new offer, announced late on Tuesday night, Hanson will still pay £14.30 in cash with a loan note alternative. However, the offer is being sweetened by a special interim dividend from Gold Fields, worth 40p a share gross and warrants to subscribe for new Hanson shares. The companies' brokers estimate that the warrants are worth another 60p per share.

The dividend payment came in for some sharp criticism, with analysts and institutions pointing out that shareholders were already due to be paid a 27.5p net dividend in respect of the year to June 30. This payment would normally have been made in November, and will not now go ahead. "Paying out your own dividend to increase the value of an offer stretches the imagination," commented one.

Some analysts also suggested the warrant valuation of 60p a share figure was generous.

The main grievance, however, centred on the fact that Gold Fields is now recommending terms worth no more than those offered by Minorco, although the cash element is greater.

One angry institutional investor commented: "Management cries out when we don't support them - and now look what happens. As far as I know, there was no consultation with shareholders before the agreement. I feel gutted."

Elliott prepares to bid for Elders

By Chris Sherwell in Sydney

MR JOHN ELLIOTT and his fellow directors of Elders IXL, the Australian brewing and agribusiness group, are preparing to launch a bid for the company valuing it at A$5.5bn (US$4.25bn).

The move comes in response to objections about the way in which the board was already seeking to cement its hold on Elders, producer of Foster's lager.

In spite of his agreement now to make a general offer, Mr Elliott is not keen to secure a full buy-out. Instead, he is seeking effective majority control of Elders, which is Australia's largest company in terms of sales and its second largest, behind Broken Hill Proprietary, in terms of market capitalisation.

A statement from Mr Elliott yesterday said Harlin Holdings, a private company which he and his colleagues control, was close to finalising finance for an offer to buy Elders shares from any shareholder wishing to sell in the market at A$3 per share.

Harlin's borrowing capacity is, however, likely to be stretched considerably by an offer of unpredictable size.

Elders shares were among the most heavily traded yesterday, and finished at A$2.85, up two cents on Tuesday's close. The shares were last at A$3 in February, and have languished below that level for most of the period since the 1987 stock market crash. The A$3 figure is significant because it is identical to the price at which Elders shareholders are being offered a 18.85 per cent parcel of shares owned by Petitio, a joint venture between AFP Group, a UK-incorporated investment company, and Goodman Fielder Wattie, the Australian food combine.

This offer, announced in May, was underwritten by Harlin, and it generated controversy because the price was at a significant premium to the market level and it gave Harlin the opportunity of snatching control without making a full bid. At a meeting called to approve the Petitio plan yesterday a vote was postponed until July 27.

Harlin stood to increase its existing 25.1 per cent stake in Elders to 29.6 per cent if all shareholders took up their pro rata entitlements, and 42 per cent — or as much as 50.5 per cent if convertible notes and options were included — in the more likely event that they did not.

Analysts said the move seemed likely to give the Elders executives at least another 5 per cent of the group on top of whatever they secure through the underwriting of the Petitio share offer, thus guaranteeing direct control.

Lex, Page 16; Elders undertaking over Scottish & Newcastle, Page 24

Allianz non-life side turns in strong profits

By Haig Simonian in Frankfurt

PRE-TAX profits at Allianz Versicherungs, the domestic non-life subsidiary of Allianz, Europe's biggest insurer, and its linked companies jumped to DM744m ($387m) last year from DM543m in 1987.

The increase was less marked at net level, where profits rose by only DM65m to about DM319m following sharply higher taxation.

The good results derived from a mixture of higher premium income, which rose by 6.6 per cent to DM9.5bn last year, and soaring underwriting earnings, which more than donbled to DM421m from DM206m in spite of e slight increase in the amount set asida for reserves. Moreover, the number of claims fell by 2.6 per cent to 3.03m.

By contrast, investment earnings slipped to DM323m from DM337m in 1987. The drop resulted partly from a decision to build the group equity portfolio and take fewer profits. Overall funds invested rose by DM1.4bn to DM13.8bn.

Mr Ernst Wunderlich, chief executive of Allianz Versicherungs, said thet premium growth rose by a further 6.6 per cent to DM5.2bn in the first five months of this year compared with the same period last year. However, part of the increase stemmed from higher premiums for some policies.

In spite of the mild winter in 1988, which was the prime reason for the company's improved claims performance, the eum paid out in motor claims continued to rise. As a reeult the company warned that last year's decline did not represent a long-term trend.

Allianz Versiecherungs' higher earnings means it will raise its contribution to the parent company by just over DM10m, to DM141.6m, with much of last year's increase in profits being pnt into the reserves of the operating companies concerned.

Full results for the parent will be announced on July 24.

Motor accessories unit lifts German tyre group

By Haig Simonian

SALES at Continental, the West German tyre group, rose by just under 9 per cent to DM3.25bn ($1.7bn) in the first five months of this year, pointing the way to a further increase in profits and at least a continuation of the group's DM8 a share dividend.

Mr Horst Urban, Continental's chief executive, said at the group's annual meeting yesterday that turnover at ContiTech (SIC), the company's motor accessories division, grew fastest in the period, with a 10.1 per cent increase.

By contrast, earnings on the tyre side, which includes Continental's European activities and General Tire, the US tyre maker acquired in May 1988, had not matched last year's levels. However, Mr Urban said he wes confident that both divisions would more than compensate for lost ground by the end of the year.

Mr Urban added weight to speculation over another sharp rise in profits at Continental this year, although he warned that the increase in profitability would not be of the same order as the 40 per cent leap to DM194.8m reported for 1988.

Among the group's expansion plans is the purchase of a stake in an unnamed Spanish rubber manufacturer and the extension of its tyre retailing and distribution activities in Europe.

Mr Urban stressed the need to squeeze higher production out of existing plants rather than building new capacity. Tyre production from Continental's European factories stood to rise by between 8 and 10 per cent this year, with the increase coming exclusively from greater use of existing capacity via extra shifts.

Blue Circle sells stake in Mexico for £250m

By Andrew Taylor, Construction Correspondent, in London

BLUE CIRCLE Industries, Britain's biggest cement company, has sold its Mexican cement and concrete interests in a deal which could raise up to £250m ($397m) in cash.

Blue Circle's 49 per cent stake in Empresas Tolteca de Mexico has been sold for about £200m to a Mexican consortium led by Mr Bernado Quintana, Tolteca's chairman, and Ingenerios Civiles Asociados (ICA), a large privately owned Mexican construction and engineering group.

The consortium also intends to exercise an option to buy for abont £50m Blne Circle West, an Arizona and Californian cement importer of which Tolteca is the principal supplier.

The family interests of Mr Quintana and ICA, of which Mr Quintana is a vice president, previonsly owned about 35 per cent of Tolteca. The purchase price included the sale of convertible debentures which would have increased Blue Circle's stake in Tolteca to 58 per cent.

Blue Circle's share price rose 14p to 529p yesterday. The company said the sale of Tolteca and Blue Circle West represented a exit price of 17.6 times historic earnings.

Blue Circle's share of pretax profits of Tolteca, Mexico's second largest cement company, fell last year from £18.7m to £15.7m. Blne Circle West, which also supplies readymix concrete, made pretax profits of £100,000 in 1988.

The British group said the proceeds would be used to expand its core businesses of building materials, consumer products and property development.

It is the world's third largest cement company behind Holderhank of Switzerland and Lafarge Coppée of France. In the 1970s Blue Circle and its partners invested heavily in expanding and modernising Mexican cement capacity to supply the local construction market.

In 1981 Mexico provided about a quarter of Blue Circle's profits.

Banesto prepares to cut through the chaos

Peter Bruce reports on a Spanish bank's plans to transform its balance sheet

For more than a year Mr Mario Conde, the chief of Banco Espanol de Credito (Banesto), has shut himself off from the public and the scandals that surrounded his ill-fated attempt to merge the bank with Banco Central.

Last week a few foreign correspondents in Madrid were offered interviews. Why? Because even though Mr Conde's last great idea – the Banco Central merger – did not work, he has had another.

Banesto, Spain's third biggest bank, has the largest industrial holdings in the country outside the state-owned Instituto Nacional de Industria (INI). Last year Mr Conde spent just over Pta50bn ($411m) buying control of five portfolio companies – the so-called isas – long associated with the bank. The isas own Banesto shares and have holdings in many of the same industrial companies as the bank itself.

Shortly after he became president of Banesto 18 months ago, Mr Conde drew a diagram of these cross holdings to explain how the bank worked. Lines went in all directions. Last week he was still drawing the same diagram. "It is the same," he admitted. "The chaos remains."

Mr Conde's new idea is to hive off the industrial shareholdings into an umbrella company, La Corporacion Industrial y Financiera Banesto (the Corporation), to create a clear distinction between banking and industrial operations. The assets to be transferred would be revalued and would, according to Banesto, generate a revaluation surplus of about Pta81.2bn.

Under Bank of Spain's rules governing balance sheet equity ratios, the additional capital would allow Banesto to increase its lending by a massive Pta1,750bn – 57 per cent more than last year.

Cartisa, the largest of the isas, will become the focus of the new industrial group. It will absorb the other isas through formal takeover bids and Banesto will transfer to it whatever industrial shareholdings there are on its books.

According to Mr Conde, Banesto's total industrial shareholdings are worth Pta350bn. The bank will initially own 77 per cent of the new Corporation but has plans to sell 26 per cent, which would leave it in control and sitting on capital gains of Pta91bn.

Banesto owns or controls Asturiana de Zinc, Europe's biggest intergrated zinc producer, Acerinox, a profitable stainless steel producer, Petromed, Spain's most profitable private sector oil refiner, La Union y El Fenix, a big insurance company, Valenciana de Cementos Portland, Spain's biggest cement group, and Tudor, Europe's second biggest battery producer.

The Madrid stock market values the whole Banesto group at about Pta550bn, which implies the bank itself is

Mario Conde: no longer worried by European rivals

worth just Pta150bn if Mr Conde's sums are right.

The Banesto chief further calculates that if extraordinary provisions and dividends from its industrial holdings are excluded from the profit and loss account "you reach the conclusion the bank itself comes practically free on a price earnings ratio of 3 or 4."

In theory, the combination of asset revaluation and capital gains (Pta81bn plus Pta91bn) will transform Banesto's balance sheet. There is a rub, however.

Last week Mr Conde put his proposals to the Finance Ministry, which can waive capital gains tax. The ministry will decide by October and Mr Conde has been warning that if he does not get a tax break he might not go ahead with the plan.

This, of course, is acceptable gamesmanship. Even if he receives no tax break, by his own arithmetic the capital gains still look impressive and Banesto badly needs them. Almost half the bank's unconsolidated pre-tax profits of Pta89.9bn last year came from asset disposals.

The Treasury is apparently concerned that the industrial assets involved are merely being shuffled from one balance sheet to another under Banesto's control. Some leading members of the governing Socialist party are also uncomfortable at the sudden upsurge of speculative financial holding companies in Spain.

Mr Conde claims Banesto's Corporation will be different. "Group's like Corporacion Alba, the March family vehicle, have small shareholdings: 2 per cent of Banco Popular, 8 per cent of whatever. We have majority shareholdings, or enough to control.

"The board members in the great majority of cases are nominated by Banesto. Having 3 per cent is not the same thing as having 34 per cent."

By contrast, the Banesto banking business is a more complex animal and the component that probably stands to benefit most from a separation of industrial and banking interests. Already Mr Conde has put Banesto's 2,500 branches in Spain to work on winning back retail business and he has begun to widen its services – through a newly created financial services group – into corporate banking, leasing, mortgages, syndicated credits and capital markets operations.

Mr Conde is animated, even truculent, when he explains his plans. To one innocent question he exclaims: "Sometimes I think I have to explain everything 200 times. But that's good too. It makes you examine what you are saying."

Mr Conde is in Europe this week because, like most Spanish financiers, he has realised that Spanish companies cannot be restructured with Spanish capital alone. And after Banesto's tormented last few years – three presidents, the collapse of an affiliate bank and an abortive merger – it has a serious image problem with foreign investors.

What is certain is that, like most Spanish commercial bankers, Mr Conde is no longer worried about bigger European rivals making damaging inroads into retail banking in Spain after 1992.

"Here, with Spanish banks and saving banks, the likelihood of a foreign bank opening 2,000 branches to compete with Banesto is impossible. The only alternative is to buy a big bank," he said. Under new statutes though, no one can own more than 10 per cent of Banesto.

Fininvest earnings hit by acquisition of Standa

By Our Financial Staff

FININVEST, the Italian media and financial services group headed by Mr Silvio Berlusconi, has announced lower profits for 1988 and plans to raise fresh capital from shareholders.

The company, which does not have a stock market listing, proposes to increase capital by L100bn ($71.9m) in the wake of last year's acquisition of the loss-making Standa retail chain.

Capital is to be raised to L400bn, with L79bn of the increase coming from existing shareholders. The balance of the funding operation will come out of cash-flow.

Fininvest parent company net profit fell steeply last year, sliding to L21.4bn from L101bn in 1987. At the group level, after-tax profits fell to L180bn against L200bn a year earlier.

Fininvest said the reduction in earnings resulted mostly from losses which the company had to absorb following the purchase of Standa.

The company said its turnover in 1988 was L12,600bn. Revenues for the current year were expected to rise to about L16,000bn.

Return to black for Wintershall

WINTERSHALL, the oil industry subsidiary of BASF, the West German chemicals group, is making a profit after running up a parent company loss of DM288m ($150m) in 1988, Reuter reports.

A Wintershall official said: "We are currently in the black with the parent company's earnings. But it is too soon to make a prediction for the full year."

He gave no firm figures.

The official added that Wintershall's earnings were heavily dependent on crude oil prices and the dollar exchange rate – which, because of their volatile nature, made forecasting a hazardous business.

Landis + Gyr forecasts further decline in income

By John Wicks in Zurich

LANDIS + GYR, the Swiss electrical engineering concern, expects this year's earnings to be "noticeably below the level of 1988" in spite of a possible rise in turnover.

Last year group profits dipped by 3 per cent to SFr64.5m ($39.3m) on a 26 per cent increase in sales to SFr2bn. The upturn resulted primarily from the acquisition of Landis + Gyr Power in the US and Lake Electronics in Ireland.

The expected decline in profits for 1989 is explained by restructuring plans aimed at preparing the company for the world market of the 1990s and alterations in its manufacturing programme.

The fall in 1988 earnings was attributed mainly to lower investment income, higher taxes and a relatively large share of profit transfers to minority shareholders.

For the first half of the current year group sales were up 20 per cent to SFr1.08bn and new orders advanced by 13 per cent to SFr1.28bn.

In part, however, these advances reflected a weaker Swiss franc.

INTERNATIONAL COMPANIES AND FINANCE

Nikko leads the way across the globe

Stefan Wagstyl on a Japanese broker's move into foreign investment management

Nikko Securities is exploding the myth which says that most Japanese brokers do not need an international strategy because they simply follow Nomura Securities, the largest group.

Nikko announced last week that it is to buy a $125m stake in the investment management subsidiary of US-based Wells Fargo Bank. This is the biggest foreign acquisition made by a Japanese stockbroking group.

In forging a global link in investment management, Nikko has stolen a march on the rest of the Big Four securities companies, which have not made a similar move. (On Tuesday, however, Nomura did agree to take 25 per cent of MAT Main Anlage Trust, the Frankfurt fund management operation of Matuschka Group, a financial services company in which it is buying 5 per cent.)

The Wells Fargo deal will go a long way towards answering criticism that Nikko has been slow in developing its overseas businesses in comparison with other Big Four companies.

Deals in which the Japanese side seeks to acquire specialist skills from a foreign partner have been a key element of the international strategies of the Big Four. In mergers and acquisitions, Nikko and Nomura each spent $100m on stakes in Wall Street corporate finance specialists last year. Nikko's partner, Blackstone Group, advised it on the Wells Fargo acquisition.

Nikko plans to acquire 50 per cent of Wells Fargo Investment Advisors. This is the sixth largest investment management company in the States.

Nikko says that the deal will give it a strong presence in the US and allow it to bring to Japan modern investment techniques developed by Wells Fargo.

"This is a big step for Nikko in developing its international fund management business," said a foreign investment fund management company executive in Tokyo.

Wells Fargo has $68bn under management, or about Y10,000bn, as against Y3,500bn at Nikko. Together the two companies' managed funds will exceed Nomura's Y17,000bn. Daiwa Securities has Y9,700bn and Yamaichi Securities Y9,100bn.

Nikko and Wells Fargo have been brought together by a common interest in computer-driven investment programmes used to link the management of funds to various indices. Such "passive" techniques can be cheaper than traditional "active" management where human managers pick stocks.

For the past six years, Nikko has bought technology and ideas from two Californian investment consulting firms — Barr Rosenberg Associates and Leland O'Brien Rubinstein. These firms have also worked closely with Wells Fargo, which has become a leading exponent of "passive" management techniques in the US. The popularity of these methods made Wells Fargo Investment Advisors the top US company last year in terms of the volume of new assets won, with $11.8bn, against $8.2bn for second-placed State Street Bank.

Mr Toshio Yokoyama, a planning division manager at Nikko, said yesterday that shared technology was a key reason behind Nikko's decision to invest in Wells Fargo Investment Advisors. He doubted whether other Japanese houses could make similar deals, since compatability of techniques was important.

Nikko said it had been seeking a strong business presence in the US for many years. The deal with Wells Fargo would help increase contacts with US institutions, said the group. In particular, Nikko is expected to sell its management skills in the Japanese market to US pension funds.

In Japan, Nikko hopes that the investment in Wells Fargo will increase its reputation in the growing pension fund market, which is being deregulated.

Wells Fargo's name and technology will help Nikko fight an expected challenge from foreign investment advisory groups in Tokyo.

Fujitsu takes 'strategic' stake in Poqet Computer

By Alan Cane

FUJITSU, Japan's largest computer manufacturer and the world's third largest supplier of information systems, is taking a 35 per cent stake in Poqet Computer, the US-based company chaired by Mr Robb Wilmot, former chairman of International Computers (ICL) of the UK.

Poqet, based in Sunnyvale, California, has developed an innovative, pocket-sized computer able to use software of the kind commonly run on the IBM personal computer, the world standard.

The value of the investment has not been announced, but Mr Wilmot said yesterday that it ran into many millions of dollars, enough to take the company from prototype versions of the new personal computer to high volume production.

The deal is described as a strategic alliance that will provide Poqet with funding and credit guarantees, co-operative technology development, worldwide marketing agreements and component sourcing assurance.

Mr Wilmot said his relationship with Fujitsu was now of long standing. While at ICL he had negotiated a technological alliance which gave the UK mainframe manufacturer access to Fujitsu's microchip manufacturing expertise. The Poqet deal would give the company similar access to the latest very large scale integration (VLSI) technology up to 18 months before the rest of the market.

Mr Stav Prodromou, Poqet president, said the Fujitsu investment would provide the financial backing to maximise the company's technology lead. "Our association with Fujitsu gives us the market credibility required to become a leading supplier of the first truly personal computer products," he said.

Mr Michio Naruto, managing director of Fujitsu, said: "The senior management team of Fujitsu strongly supports our investment in Poqet and our co-operative technical and marketing activities."

The first few hundred Poqet computers are now being manufactured in the US ready for shipping in August. Weighing less than one pound, the machine will feature a typewriter style keyboard and an 80 column by 25 line display like a conventional personal computer. It will run software such as Lotus 1-2-3 and other popular personal computer products.

Its most important feature is a battery management system that will enable it to run for more than two months in normal use on two tiny cells, compared to the four hours or so typical of battery-operated computers today.

There is already considerable corporate and private interest in tiny, powerful computers of the kind Poqet is making. Atari announced a £200 ($310) machine earlier this year which ran versions of popular computer software.

Family stake in Cable Corp of India changes hands

By Gita Piramal in Bombay

BOMBAY'S Thackersey Group has sold most of its stake in Cable Corporation of India (CCI), a maker of insulated cables and wires, to the Khaitan group, another Bombay-based family empire.

The two prominent industrial families, who are related by marriage, jointly launched CCI in 1957, in collaboration with West Germany's Siemens and a subsidiary of Philips, the Dutch multinational. Sales for the latest 15 months to March reached Rs1.22bn ($72.6m).

The Thackerseys have raised Rs90m through the sale of about 10 per cent of CCI at Rs100 per share. Mr Dilip Khaitan and his associates are paying more than the market price for CCI, which from Rs74 a fortnight ago shot up to Rs89 when the company announced its results last week.

The change in shareholding is unlikely to affect management control yet, but may soon do so. CCI has been under Siemens management. Siemens and Philips each hold 15.5 per cent stakes in CCI, but last year Siemens applied for the Government's permission to purchase the Dutch holding for an undisclosed amount. The approvals have not yet come through.

If the Siemens purchase is not cleared, the Khaitans will become the dominant shareholder and may ask for a greater say in the company's affairs. According to CCI officials, though, not all the shares sold by the Thackerseys have been bought by the Khaitans.

CCI is set to start a Rs65m expansion programme.

INTERNATIONAL APPOINTMENTS

Société Générale capital market specialist to retire

By George Graham in Paris

MR DANIEL Hua, one of the grand old men of French corporate finance, has announced his decision to retire next year as deputy managing director of Société Générale, the privatised bank.

Mr Hua has been one of France's leading capital market specialists for the past fifteen years, building up Société Générale's own new issues and trading operations, first as director of financial activities from 1974 to 1987, and in the last two years as director in charge of major corporate clients. His polished dome is a familiar sight, standing a foot clear of the crowd at roadshows and analysts' meetings.

He also played an important role in the Pérouse, Dautresme and Tricot committees on the modernisation of the Paris financial markets, and more recently in the Brac de la Perrière commission on financial ethics.

The 59-year-old Mr Hua will leave his present post on September 15 and then carry out two final studies on Société Générale's financial and shareholding structures before retiring next June.

He will be replaced in the major corporations division by Mr Leopold Jeorger, who joined Société Générale in 1975 after a spell as deputy managing director of Air France.

Mr Jeorger's post as head of the capital markets division will be filled by Mr Patrick Duverger, his deputy.

★★★

THE FRENCH Government yesterday confirmed the nominations of Mr Philippe Rouvillois as the new head of the Commissariat de l'Energie Atomique (CEA), France's state nuclear agency, and of Mr Louis Gallois as chairman of Snecma, the state aero engines manufacturer, writes George Graham.

Mr Rouvillois, who resigned last year as head of the state railways company SNCF after taking the blame for a series of fatal train crashes, replaces Mr Jean-Pierre Capron, named under the last right-wing government.

Mr Gallois, who was directeur de cabinet of Mr Jean-Pierre Chevenement, the defence minister, replaces General Bernard Capillon, also named under the Chirac government.

The Government also confirmed a number of chairmen of state-owned companies in their positions, including Mr Pierre Delaporte at Electricité de France (EDF), Mr Francis Gutmann at Gaz de France, Mr Bernard Pache at Charbonnages de France, Mr Jean Gandois at Pechiney, Mr Bernard Attali at Air France, and Mr Jean-Michel Bloch-Lainé at Banque Worms.

★★★

HANDY and Harman, a leading US refiner of silver and other precious metals, appointed Mr Frank Grzelecki to the newly created post of vice chairman, with effect from July 1.

Mr Grzelecki, who became a board member last December, is currently an independent consultant.

Wärtsilä announces change of helmsman

WARTSILA, a diversified international shipbuilding and industrial group based in Finland, announced that Mr Pekka Laine has become president and chief executive, and also chairman of the board of management, from the start of this month.

Mr Laine, 51, had been vice chairman since the end of 1988, as well as executive director. The three top posts were held by Mr Tor Stolpe until his retirement at the end of June.

During 1987, Mr Laine was president of Wärtsilä Marine Industries, the 70 per cent-owned shipbuilding subsidiary.

★★★

CSR, the Australian building products and sugar group, stated that Mr Gene Herbert, deputy managing director, has decided to retire early from the company in December.

Mr Herbert, 57 this month, played an important role in the recent restructuring of CSR, particularly with regard to the divestment of the company's coal and oil and gas activities.

He intends to pursue private interests after his retirement.

Mr Bill Bennett, presently executive director, will take over Mr Herbert's post. Mr Don Murden, controller and company secretary, will become chief financial officer and remain company secretary.

★★★

AT JOHN Labatt, the large Canadian-based brewing and food products group controlled by the Brascan conglomerate, Mr Sidney Oland is to become president and chief executive with effect from September 7.

Mr Bill Bennett, born in 1940 and currently president of the Labatt Brewing unit, will take over roles held by Mr Peter Widdrington, who will then devote full time to his remaining top post of chairman.

Mr Widdrington noted that since Mr Oland became president of Labatt Brewing in 1980, its national market share of the Canadian beer business has increased from 37 per cent to reach 43 per cent this year.

Belzberg family poised to bid for Armstrong

By Roderick Oram in New York

THE BELZBERG family, famed for aggressive corporate raids, appears poised to launch a takeover bid for Armstrong World Industries, an international manufacturer of floor coverings and other interior furnishings.

Stock in the Pennsylvania-based company leapt $4 to $47½ on heavy volume yesterday morning, valuing the company at about $2.2bn. Analysts value it at roughly $55 a share, or $2.5bn.

Two companies affiliated with the Canadian family accumulated a 9.85 per cent stake in Armstrong between May 3 and June 30 at between $37 and $43⅝ a share, the Belzbergs said in a filing with the Securities and Exchange Commission.

The family said it would seek regulatory approval to buy 50 per cent or more of Armstrong's stock. If it won control it said it would sell the group's furniture and industrial products operations, but retain floor coverings and building products, its core activities.

First City Financial, the Belzbergs' main corporate vehicle, has discussed takeover finance with banks though no agreement has been reached. The family said it had asked to meet Armstrong to propose a merger.

"We have no interest in meeting with the Belzbergs," said Mr William Adams, Armstrong's chairman. "Based on a review of, among other things, the Belzbergs' past record and experiences to date, the board concluded that no interests of the many groups closely associated with Armstrong would be served by meeting with them."

The Belzbergs said they would file a suit to try to block Armstrong's poison pill. This comprises an employee share ownership plan and Armstrong's intention to buy back 8m, or some 17 per cent, of its shares, announced on June 20.

The Belzbergs said that Armstrong asked them on June 26 if they would tender their shares, but they rejected the suggestion. Armstrong said yesterday that it would file a suit against the Belzbergs and seek court validation of its poison pill.

Management defended its record, saying it had achieved an average 20 per cent annual return for shareholders over the past 10 years. It reported net profits of $162.7m, or $3.51 a share, on revenues of $2.68bn last year.

The company has spent heavily on new plant and acquisitions in recent years, underpinning its leadership of world markets.

Texas bank seeks end to government holding

By Roderick Oram in New York

FIRST City Bancorporation of Texas is seeking a way for government regulators to sell the 18 per cent stake they took in the Houston holding company when it was rescued a year ago.

The government holding, worth some $98m at current prices, has been a stumbling block in First City's efforts to expand by rescuing other banks. It is the state's third largest banking group.

Though originally a front runner to acquire the failed banks of MCorp of Dallas, the Government sold the assets last week to Banc One of Ohio. Regulators said First City was handicapped because the Government was an investor in both it and the Dallas banks.

The Government took its stake in First City as part of a recapitalisation by a group of investors led by Mr Robert Abboud, a former chief executive of First Chicago. The stake consists of junior preferred stock convertible into common shares and warrants to buy common. If all the options were exercised, the stake would equal 18 per cent.

First City said the Government could sell the stake to it or to third parties, realising a return on its investment of 50 per cent in just over a year.

The Government had backed First City recapitalisation with $970m of Federal assistance. Mr Abboud's group had raised $500m of equity to gain control of the holding company.

Two other failed Texas bank holding companies are for sale through the Government but First City declined to comment on whether it would bid. They are Texas American Bancshares and National Bancshares of Texas.

Computer groups plan joint study

By Louise Kehoe in New York

COMPUTER industry groups that have been at odds over issues related to "open systems standards," have agreed to collaborate in a comprehensive US market study to determine the real needs of computer users.

The effort may mark a turning point in the industry-wide debate over open systems – standards that will enable a variety of computers to communicate and share software and data.

The Open Software Foundation, whose members include IBM, Hewlett-Packard and Digital Equipment, Unix International, with more than 50 member companies led by AT&T, and X/Open, a European-based group, have agreed to participate in the study, called Strategies for Open Systems.

The study was initiated by the California-based /usr/group, a trade association representing users and vendors of Unix-based computers.

AT&T's Unix operating system, a program that controls the functions of a computer, is at the centre of the open systems debate.

OSF and Unix International have each chosen different versions of Unix as the basis for moving toward industry-wide computing standards.

According to many industry observers, the views of computer users have been forgotten in the computer manufacturers' feud. The new market study aims to correct that situation.

The study, which the participants says will be the largest ever conducted of the US Unix computer market, will be managed by the DMR Group, a Boston management consulting firm.

Sixty US companies – both vendors and users of information technology – are being recruited to fund the $1.5m venture. Twenty companies have already agreed to participate.

"The programme will provide a unique opportunity for vendors from all sides of the industry to develop common reference information," said Mr Donal O'Shea, vice president, operations, Open Software Foundation.

He said the "collaboration between vendors and users will help to bridge existing gaps as well."

The study will investigate many aspects of open systems, including technology; the growing market; user requirements; and customer attitudes and knowledge; and examine issues regarding the planning and implementation of open systems.

Strategies for Open Systems should be a valuable vehicle to help launch the open systems decade," said Mr Peter Cunningham, president of Unix International.

"It is our hope that this programme will help bring clarity to the marketplace and to stimulate the growth of Unix System V-based systems," he said.

Mr Stephen Lowen, chief marketing officer of X/Open, said that the study "should help considerably in the process of capturing the user experience with open systems.

"We have seen significant demand for user-oriented tools for planning, cost justifying and implementing open systems," he said.

"We anticipate that the programme, in providing these, will help organisations move forward with open systems strategies."

Pulp producers fail to achieve price increase

By Robert Gibbens in Montreal

NORTH AMERICAN pulp producers have failed to get the price of northern softwood bleached kraft increased on July 1, despite continuing demand worldwide.

The North American price, which now stands at US$840 a tonne, has been increased every quarter since late 1986.

Scandinavian and European producers raised their prices on July 1, although these are still below dollar prices.

Underlying market conditions may enable producers to raise North American prices on October 1, say analysts.

Cable TV company may be preparing bid for Time

By Roderick Oram in New York

THE FIGHT for Time Inc. became yet more complicated yesterday with signs that a small cable television company might be preparing a bid for the giant media group, possibly with the backing of Mr Robert Bass, the wealthy Texas investor.

A lawyer for Time disclosed in a letter to a Delaware judge that Cablevision Systems, a three-year old company with revenues last year of $493.5m, was "actively considering" a bid. Time has already rejected a $200 a share, $12.2bn offer from Paramount Communications.

Cablevision, which has cable operations in the New York suburbs, Michigan and Ohio, failed in a court effort with Mr Bass and Mr Jerrold Perenchio, a Hollywood producer, to try to block Time's recent annual meeting. Time is a leading cable system owner and supplier of programmes.

Cablevision, Time and Mr Bass's staff all declined to comment on the lawyer's letter. The subject arose because consideration of a bid would prevent the Cablevision group of investors from presenting some documents to the court in their efforts to block Time's proposed takeover of Warner Communications.

Time's stock rose $3½ to $157¼ on the news.

Canadians square up to US gas import demands

Larry Donovan on problems of an export success

Strong economic activity in the US is prompting a record volume of Canadian natural gas exports.

It is estimated that 1,400bn cu ft (bcf) of natural gas, most of it from Alberta, will be sold to the US this year – an increase of 12 per cent over 1986 levels. This would boost Canada's share to 8 per cent of the US market, nearly double the share it enjoyed just three years ago.

But there is a hollow ring to the upsurge in exports. The current wellhead price is low at around C$1.60 per million cu ft (mcf), against C$2.18 in 1986 and C$2.90 when government regulation of the market was at its height in the early 1980s.

This means that the present gas price is effectively equivalent to or less than its replacemant cost, according to Mr Richard Hillary, general manager for oil and gas at the Independent Petroleum Association of Canada. He warns that if the industry is to remain "robust," it cannot live with this situation for much longer.

Producers are being further hampered by a shortfall in pipeline capacity. Sales to the US could be much higher if there were more pipeline space, but the system is already under strain coping with today's export levels.

Happily for producers, relief is on the way. Expansion is planned for the new market in the US north-east and the established market in California. Statistics Canada, a federal agency,expects expenditure on pipeline construction to jump by 70 per cent this year to C$1.24bn (US$1.04bn).

Mr Bob Marriot, president of the Pipe Line Constructors Association of Canada, said contractors were "very optimistic" about the future after five lean years. "All the work this year has been generated by gas sales," he adds. A similar picture is expected next year, as key players begin to develop plans which may be the unsung North American megaprojects of the next decade.

The most prominent proposals before regulatory agencies add up to about C$15bn and could almost double Canada's natural gas export capacity:

- Pacific Gas Transmission plans a big expansion of its pipeline from the Alberta-US border to California.
- The Altamount Gas Transportation project envisages a pipeline from Alberta to Wyoming to link in with the same California market.
- Northarn Border proposes to upgrade its existing pipeline, and to build an extension into the US Midwest.
- Nova is planning a substantial expansion of its already huge Alberta system.
- Several groups have applied to build extensions on to the east end of the TransCanada system in eastern Canada, and there is also a concerted effort to pipe gas out of the Canadian Arctic. This could eventually lead to the construction of a new C$4.8bn pipeline.

Mr Hillary calculates that if all proposed pipeline projects were approved over the next four years, Canadian natural gas exports would rise to about 2,500 bcf annually. (The Canadian Petroleum Association puts marketable reserves at 95,000 bcf). This could coincide with increasingly tight domestic supplies in the US and create a window of opportunity for Canadian producers.

But Mr Hillary is sceptical of Canada's ability to sustain exports at these levels for a long period. By 1997, he estimates, the Canadian natural gas industry would be "scrambling to maintain that level of deliverability through new discoveries."

Currently, however, exploration budgets are suffering, following the restructuring in the Canadian oil sector during which companies have cut thousands of skilled exploration and production jobs in order to cut costs.

The restructuring has also resulted in debt-riddled corporations selling oil and gas properties. Nearly C$2bn of assets are on the block, with the bartering led by groups such as Imperial Oil, Nova, Amoco Canada and Mobil.

Inter-City Gas sells divisions

By Robert Gibbens

INTER-CITY Gas Corporation, the Toronto-based energy group, is selling its gas utility and propane businesses to West Coast Energy for C$727m (US$607m).

The deal is part of a large-scale reorganisation of the ICG Group, which is controlled by the big financial services conglomerate Central Capital Corporation of Toronto.

ICG will continue as a public company, operating in the energy products business sector.

The reorganisation, subject to Competition Bureau approval over the next three or four months, is structured so that the net proceeds of the sale go directly to ICG shareholders.

They will continue as shareholders of the ICG energy products business.

As part of the deal, West Coast Energy will sell the propane business to Petro-Canada, the national oil and gas company. It has a value of C$265m.

For the utilities businesses Inter-City shareholders will receive C$462m cash, plus an amount equal to their after-tax earnings from October 1 1989 until the closing date of the deal, less the amount of any non-trade debt.

Central Capital said it expects the reorganisation to earn Inter-City shareholders about C$22.50 to C$23.50 per share.

Transport group improves earnings for first half

CSX, THE diversified US transport gronp which has undertaken a large-scale restructuring programme, nnveiled much-improved results for the second quarter and half year, AP reports.

The group took second quarter net income to $151m or $1.45 a share compared with a loss last time of $160m, on revenue of $1.97bn against $1.91bn. The same quarter a year ago, however, inclnded a special pre-tax charge of $738m, the bulk of which was used as separation payments to rail employees.

At the six month stage the group registered net income of $233m or $2.18, compared with a loss of $95m, with revenues advancing to $3.82bn from the $3.65bn recorded the year before.

The group sold its natural gas pipelines for $646m to Transco Energy of Houston at the end of last year. The sale marked tha second stage of CSX's divestment of the energy properties which it had bought five years before.

CSX said that 57.2m of its shares had been repurchased at an average price of $31.92 a share.

The remainder of the 60m shares authorised for repurchase as part of the company's restructuring programme will be rebought on the open market or in privately negotiated transactions.

INTERNATIONAL CAPITAL MARKETS

US long bonds weak in thin trade as dollar falls

By **Anatole Kaletsky** in New York and **Stephen Fidler** in London

THE FALLING dollar led to a further setback for the US bond market after last month's big gains, but losses were moderate and mainly confined to the long end of the maturity spectrum.

Trading was light and mainly confined to dealers squaring their positions as they awaited new signals on monetary policy from the Federal Open Market Committee, meeting in Washington yesterday and today.

The long end of the bond market suffered losses of up to ¾ point in morning trading, but medium-term notes fell by much less and some of the shortest maturities resisted the selling pressure altogether, reflecting the market's growing confidence that short-term interest rates would be cut after the FOMC meeting.

By early afternoon, the Treasury's benchmark long bond was ⅝ down at 108⅛, a price at which it yielded 8.12 per cent. Ten year bonds fell only about ⅛ and two to three-year issues were mostly unchanged. Medium-term yields remained below the psychologically important 8 per cent mark on notes of up to five years' maturity. The Fed performed five-day matched sales, but the draining operation had been predicted for seasonal reasons and had no policy significance. Fed funds remained between 9¼ and 9⅜ per cent throughout the morning.

The consensus in the market was that a ¼ per cent reduction in the Fed funds rate is almost a foregone conclusion after the FOMC meeting. However, this move is not expected until after the release of the June employment figures on Friday. Only an unexpectedly big jump in employment of 250,000 or more might forestall the prospective easing.

GOVERNMENT BONDS

■ UK GOVERNMENT bonds ended the day slightly higher, after a patch of selling, apparently led by futures, depressed the market in morning trading.

Some early Japanese buying rallied the market at the opening. Then on the London International Financial Futures Exchange, the failure of the September long-gilt contract to breach the important 95-00 level was cited as a reason for some technically orientated traders to become sellers.

Nevertheless, the continued firming of sterling against both the dollar and the D-Mark helped the market to recover in afternoon trading, which terminated early because of the transport strikes in the country. On its trade-weighted index calculated by the Bank of England, sterling ended at 91.8, up 0.6 on Tuesday. The bnenchmark 2003-07 gilt closed at 113⅞, up ⅛ on the day.

■ THE JAPANESE market rallied significantly, with the weakness of the dollar and the perceived prospects for lower US interest rates overcoming caution caused by the difficulties of the ruling Liberal Democratic Party in Tokyo.

The benchmark No 111 issue closed to yield 5.32 per cent, 6 basis points lower than on Thursday night. Dealers said that the the concentration of activity in the benchmark betrayed the speculative nature of much of the business, with side government issues and Euroyen bonds remaining inactive.

■ THE WEAKER dollar and the prospects for lower US interest rates boosted the West German market too, with Bunds closing some 15 to 25 basis points higher on the day.

The Bundesbank announced that it would inject DM40.6bn into the banking system through two repurchase agreements. This more than replaced the DM34.1bn of repurchase pacts that were rolling off, and helped the bond market further.

Fixed-rate 28-day agreements at 6.6 per cent injected DM26.1bn into the system, and variable rate 42-day pacts injected DM14.5bn at rates between 6.65 and 7.10 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	106-03	+3/32	11.17	11.26	11.44
		8.750	1/98	96-08	+4/32	10.43	10.49	10.75
		9.000	10/08	96-02	+2/32	9.44	9.50	9.75
US TREASURY *		8.125	5/99	106-15	-11/32	8.15	8.17	8.35
		8.875	2/19	108-06	-23/32	8.14	8.13	8.42
JAPAN	No 111	4.800	6/98	95.8017	+0.348	5.32	5.45	5.36
	No 2	5.700	3/07	105.4859	+0.295	5.11	5.18	5.11
GERMANY		7.000	2/99	102.5500	+0.160	6.62	6.74	6.84
FRANCE	BTAN	8.000	1/94	98.5355	+0.405	8.94	8.89	8.83
	OAT	8.125	5/99	96.2000	+0.220	8.71	8.65	8.73
CANADA *		10.250	12/98	105.5000	-0.625	9.35	9.41	9.44
NETHERLANDS		7.000	3/99	99.6200	+0.210	7.05	7.13	7.28
AUSTRALIA		12.000	7/99	91.5891	-0.815	13.58	13.56	13.81

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 5

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101	101⅛	0	0	5.36
Canada 5⅝ 93	80	101⅛	101⅜	0	0	5.31
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

* No information available-previous day's price
† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Saudi fund to borrow $660m from 11 banks

SAUDI ARABIA'S Public Investment Fund (PIF) has signed an agreement with an 11-bank syndicate to borrow $660m for five years, in apparently the first dollar-denominated borrowing by Saudi Arabia since the late 1950s, agencies report.

National Commercial Bank, the largest commercial bank in the kingdom, is the lead manager of the loan, priced at ⅛ percentage point over Libor. The agreement calls for a one-year grace period on principal.

The syndicate, comprising most Saudi domestic banks and external institutions with Saudi government shareholdings, and Mr Mohammad Abalkhail, the Saudi Finance Minister, signed the pact on Monday in Riyadh. Bankers in the region said it was the first significant borrowing by the PIF in the international market.

PIF, established by the Saudi Government in the early 1970s, to provide low-interest or no-interest financing for industrial development projects, is chaired by the Saudi Finance Minister.

Observers in Saudi Arabia thought that the Government could be using the PIF as an indirect way of financing its budget deficit, projected at just under $7bn for 1989.

Saudi Arabia has run up a huge deficit every year since oil revenues fell sharply in the early 1980s, but has been traditionally shy of raising funds publicly both for religious reasons and because of memories of a borrowing spree that threw the economy into a tailspin in the late 1950s.

Under Islamic law it is illegal to make or accept interest payments.

In mid-1988, after its foreign reserves began running low, the Government started issuing Saudi Riyal-denominated Treasury bonds locally to cover the spending gap, its first borrowing in a quarter of a century.

The kingdom issued an estimated SR40bn in bonds in 1988 and in January announced it would sell another SR25bn this year.

Bankers say commercial banks have bought only a portion of the bonds, with government institutions taking up the rest.

Economists believe the PIF may have been buying a large number of the bonds and might now be seeking funds to cover these or finance more.

● Bahrain-based Arab Saudi Bank and a group of private UK and Arab interests have set up an investment company targeting the European market.

Arab Saudi, an offshore bank registered in the Cayman Islands, will hold a 22 per cent stake in the International Investment Company (IIC), which will be registered in Bahrain.

Officials said IIC, with initial paid-up capital of $7.5m and authorised capital of $15m, has been created to channel business initially from Arab Saudi's existing client base to various investments in the European market. The bank has been seeking investors for the concern for about two years, Mr Turek Ahmed Mowafi, IIC's chief executive, said.

Three UK investors are among IIC's 32 shareholders, while the remainder are largely "high net worth" Bahraini, Saudi and Egyptian investors. Arab Saudi Bank holds the single-largest block of shares, but Mr Mowafi, an Arab Saudi vice president, noted there is no single controlling shareholder in IIC.

The new concern, which will aim at European equity and real estate investments, among others, is chaired by Sheik Mohamed Amin Al-Dahlawi, a Saudi entrepreneur and the vice chairman of Arab Saudi Bank. He has extensive investment holdings, largely focused on the US, and is also a director of Bahrain-based Trans-Arabian Investment Bank.

Indian bank sets up offshore fund

By **R.C. Murthy** in Bombay

STATE BANK of India, the country's largest commercial bank, is to launch a $100m mutual fund, India Magnum Fund, in the US.

It will be India's third offshore fund, and has been delayed by nearly nine months, following the less than successful India Growth Fund (IGF) sponsored by Unit Trust of India late last year. The size of IGF was cut to $60m from a planned $100m following a shift in investor preference to fixed-income securities. A second tranche is due later this year.

State Bank has chosen Morgan Stanley to manage India Magnum overseas. Unlike the two existing funds, India Magnum is to be marketed to institutional investors, mainly in the US.

INTERNATIONAL CAPITAL MARKETS

World Bank's Euromark issue meets firm reception

By Katharine Campbell

THE World Bank Euromark deal, for which the market was waiting, emerged late yesterday, but met with a firm reception despite the timing. It is the first straight D-Mark issue since mid-June, and the first top quality borrower for considerably longer.

The DM600m 10-year issue, led by Deutsche Bank, pays a 6¾ per cent coupon, in line with the most recent federal government paper, and was soon trading well within fees

INTERNATIONAL BONDS

at a 1.3 per cent discount to the issue price of 100.75.

At a yield of 6.83 per cent, the paper compares favourably with the recent government paper of the same coupon, which yields around 6.68 per cent. Yesterday's buyers were mostly non-domestic because of the timing of the deal.

Midland International Financial Services launched a DM200m 10-year floating rate note priced at a spread of 1/16 per cent over the London interbank offered rate. The lead managers of the subordinated debt, Trinkaus und Burkhardt, said tho paper was trading within its fees of 20 basis points.

With the dollar new issue sector again dormant for the day, activity was concentrated in other currencies, where borrowers were often taking advantage of swap windows.

In a relatively unusual move for a North American borrower, GMAC Canada launched a L100bn five-year issue which pays a 13 per cent coupon. Banco di Roma and Paribas Capital Markets were joint lead managers.

The deal, which is swapped into Canadian dollars, carries the guarantee of the US parent. The paper, distributed widely throughout Europe, was trading at a 1.6 per cent discount to the issuing price, comfortably within fees.

In the New Zealand dollar sector, Hambros led a four-year NZ$60m straight issue for Société Générale Australia, which apparently went down well, and got away with a coupon paying under the important 14 per cent level.

The lead manager, who was quoting paper on the bid side at less 1.65 per cent to issuance price, pointed out that a AAA borrower in the four-year range was something of a rarity. Most Kiwi paper is for a three-year term.

The deal is swapped hut, reflecting the growing competition even in the hitherto cosier corners of the Euromarkets, market sources guessed that not much would be left on the table for the lead manager – given prevailing swap rates between New Zealand dollar fixed-rate funds and Australian floating rate bank bills.

Dresdner International Finance brought a five-year FFr500m issue which appeared to have found interest almost anywhere but in France. Bearing a 9.00 per cent coupon and priced at 35 basis points over comparable domestic government paper, the issue was trading on full fees at a 1¾ per cent discount to issue price.

The French government market has been flat recently, and that, together with today's monthly auction, has kept domestic accounts quiet, but members of the group had found reasonable interest elsewhere in Europe.

BNP, who are book runners, said that the issue had been swapped into dollars, and other market sources suggested the borrower had achieved favourable floating-rate funding.

Elsewhere in the sterling sector an earlier three-year straight issue for Barclays Bank – the first to take advantage of the new rules permitting issues under five years – was increased by £50m to £175m. BZW are sole managers of the additional tranche.

At launch, the original tranche had yielded 65 basis points over UK government securities. Yesterday, BZW was quoting a spread of 45 basis points over gilts, comparable with the recent OKB deal.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
D-MARKS						
World Bank(a)◆	600	6¾	100¾	1999	1¾/1⅛	Deutsche Bank
Midland Int.Fin.Serv.(b)‡◆	200	1/16	99.95	1999	30/10bp	Trinkaus und Burkhardt
LIRE						
GMAC Canada(a)◆	100bn	13	101.90	1994	1⅞/1¼	Banco di Roma
FRENCH FRANCS						
Dresdner Int. Finance(a)◆	500	9	101½	1994	1⅞/1¼	BNP Capital Markets
NEW ZEALAND DOLLARS						
Soc.Generale Australia(a)◆	60	13¾	102	1993	1¾/1⅛	Hambros Bank
SWISS FRANCS						
Dai-Ichi K'gyo Seiyaku(c)★★§	65	(¾)	100	1994	n/a	Handelsbank NatWest
Daido Steel Sheet Co.(d)★★§	55	(½)	100	1993	n/a	UBS
Nippon Koshuha Steel(e)★★§◆	140	⅝	100	1994	1⅝	Yamaichi Bank (Switz)
Daiwa Industries(f)★★§◆	30	⅜	100	1994	n/a	Bank Leu
STERLING						
Barclays Bank(g)◆	50	12	(g)	1992	n/a	BZW
US DOLLARS						
Shimizu Corp.(h)#◆	700	4	100	1993	2¼/1½	Yamaichi Int. (Europe)
Mitsubishi P'chemical(h)#◆	220	4⅝	100	1994	2¼/1½	Nikko Secs. (Europe)
Mitsubishi P'chemical(h)#◆	100	4⅝	100	1994	2¼/1½	Yamaichi Int. (H.Kong)

★★Private placement. #With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) Non-callable. b) 1/16 over 6-month Libor. Non-callable. c) Indicated yield to put 4.22%. d) Indicated yield to put 4.192%. e) Coupon fixed as indicated. Yield to put 4.006%. f) Coupon cut by ⅛% from indication. Yield to put 4.087%. g) Fungible with earlier issue. h) Coupon cut by ⅜% from indication.

Liffe breaks record three months in succession

By Stephen Fidler

THE LONDON International Financial Futures Exchange (Liffe) posted its third successive month of record volume in June, passing the daily 100,000-contract mark for the first time.

In the first half of the year, volume on the exchange rose more than 46 per cent on 1988, which the exchange's chairman Mr David Burton attributed to "the increased diversification of Liffe's product range."

In June, D-Mark denominated contracts accounted for 21 per cent of the exchange's volume, with almost 490,000 Bund contracts changing hands.

The exchange is claiming success on its contract of short-term Euromark interest rates, which was launched in April. At this stage in the contract's life, its trading volume has exceeded all previous contracts except for the German government bond contract, while the open interest – the contracts outstanding overnight – of more than 17,000 contracts exceeds all previous contracts at this stage.

Liffe is locked in a struggle for predominance in the Euromark contract with Matif, the Paris futures exchange. Liffe claims significantly greater open interest – a sign, it says, that it is more used by investors – and a somawhat greater daily volume.

Nearnly 490,000 German government bond contracts traded in June, up 20 per cent on the previous month.

Officials also point to climbing volume of the FT-SE 100 contract, up to 97,000 contracts in June from 70,000 in May.

The most active contract was the sterling short-term interest rate contract, reflecting the volatility of sterling interest rates over the period. Volume climbed almost 30 per cent to 772,500 contracts. Trading of tha long gilt contract, which has suffered from the shrinkage of the UK government bond market, was navertheless 53 per cent higher than in May, at 446,000.

Total exchange volume in June was 2.4m contracts.

Regulation falls to the old boys

Traders have little time to write their own rules reports Norma Cohen

THE resignation announced earlier this week of Mr Stanislas Yassukovich from his post as chairman of Merrill Lynch Europe/Middle East has raised again the question of whether the City of London's regulatory structure really allows – as it is meant to – self regulation by practitioners.

Stanislas Yassukovich: remains as TSA chairman

Mr Yassukovich, while remaining as an advisor to Merrill, is staying on as chairman of the Securities Association, the self-regulatory body governing the securities industry.

In the run-up to the Big Bang, the City of London and the Thatcher Government firmly rejected the option of a regulatory structure run by professional bureaucrats, opting instead for a self-regulatory system run by market practitioners.

But Mr Yassukovich's case is one of a number to have called into question whether market practitioners really are in control. Some participants believe it would be more accurate to say that the UK is slipping into a system of oversight by elder statesmen who are no longer actively involved in day-to-day affairs at large firms and by compliance officers who have never written a ticket or traded a position in their lives.

"Practitioners are too busy practitioning to be involved in regulation," said a former practitioner now employed as a regulator. "Those who are in their prime are too busy trying to make money in this difficult environment to bother."

As a practical matter, although he has long experience in the London financial markets and in particular the Eurobond market, Mr Yassukovich has not been involved in managing day-to-day affairs at Merrill Lynch since a reorganisation in mid-1988, when Mr John Heimann was brought in to take over executive responsibilities. An earlier reorganisation at Merrill early that year had removed much of the authority from regional branches and placed it back at New York headquarters.

Mr Yassukovich replaced Mr Andrew Large as head of TSA in January 1988, when the latter was promoted to a more senior position at Swiss Bank Corporation.

The Securities Association's important Rules Committee, which writes the rules that market makers must play by, consists of eight "full members," two of which are outsiders to the industry. More significantly, there are six "co-opted members" who, by most accounts, are responsible for much of the output of the committee. These include the compliance officers for Merrill Lynch, Goldman Sachs, Morgan Grenfell, Alexanders Laing and Cruickshank and Salomon Brothers – all of whom have legal backgrounds rather than trading experience.

Mr Yassukovich, who said he would retain his role as a member of the Stock Exchange Council, was replaced as deputy chairman of the Exchange by Mr Herschel Post, president and director of Shearson Lehman Asset Management. The Exchange said that Mr Yassukovich had already held his post too long to serve another term and that his departure was unconnected with his stepping down from Merrill Lynch.

At the Stock Exchange, the so-called Chairman's Room, consisting of the chairman, two deputy directors and the executive director, also bears scrutiny.

The Chairman, Mr Andrew Hugh Smith, is deputy chairman of ANZ Merchant Bank but spends four days a week at the Stock Exchange. Aside from Mr Yassukovich, the other deputy chairman is Mr Peter Stephens, once of Chase Investment Bank but now of the Bank in Liechtenstein's asset management division – not widely regarded as a major force in UK equity markets.

There are those who argue that it is not necessary to have sat on a trading desk in order to make judicious rules about the industry. The market elder statesmen and legal types can still represent the interests and needs of their firms by remaining in touch with their colleagues and by representing those views to committees.

However, some warn that that system leads to an inbred old-boy structure that is designed to represent the interests of firms who no longer conduct the bulk of securities or investment business in London. "That is a fundamental problem with the English approach to the regulatory system. It lends itself to an old-boy network like the Lloyd's insurance market," said an official at one US firm.

It is also argued that the pace and complexity of financial innovation make it difficult for those no longer involved on a daily basis to keep up with the latest market developments and, thus, they lose touch with the cutting edge of regulatory problems.

NAB to raise A$300m

By Our Euromarkets Staff

NATIONAL Australia Bank, tha third-largest Australian commercial bank, which acquired Clydesdale, Northern and National Irish Banks from Midland Bank in 1987, has filed with the US Securities and Exchange Commission to make a global offering of 55m ordinary shares to raise more than A$300m (US$230m).

The shares, representing less than 7 per cent of the total outstanding, are being offered in four tranches, with Merrill Lynch Capital Markets as the global co-ordinator.

An international tranche of 15m shares will be offered elsewhere by underwriters lead managed by Merrill Lynch International, Dresdner Bank, Swiss Bank Corporation and SG Warburg.

In the US, 3m American Depositary Shares, each consisting of five ordinary shares, will be offered through Merrill Lynch, First Boston and SG Warburg. Japanese underwriters will offer 12m shares into Japan, and a further 12m will be placed into Australia with AC Goode and J.B. Were as lead managers.

● Sumitomo Trust, one of Japan's leading trust banks, will list its shares on the International Stock Exchange in London from today, Our Financial Staff writes.

The bank, also plans a Paris quotation by the year-end. No new share issues are planned.

Oslo bourse sets record

By Karen Fossli in Oslo

THE OSLO bourse, this year one of the world's top performers, has achieved record half-year turnover of NKr47bn ($6.7bn) according to latest figures released by stock exchange officials.

This is more than three times last year's half-year figure of NKr14.9bn, and compares to NKr22bn by June in 1987. For 1987 as a whole turnover shot to a record NKr60.2bn, but fell by half by the end of 1988.

An all-time monthly high was set in May this year, when turnover reached NKr7.4bn. It fell to NKr5.8bn last month.

The all-share index has climbed by 43 per cent so far this year and broke the 500 barrier in mid-May. A record daily high was achieved on May 22, when the index soared to 511.44 points.

● Cedel, the Luxembourg-based clearing house, will begin from today to settle Swedish domestic bonds. The move follows the abolition of exchange controls in Sweden which allows non-residents to buy Swedish fixed-income securities.

Government bonds as well as mortgage and domestic bonds will be settled by Cedel both free and against payment. Svenska Handelsbanken has been appointed depositary for the bonds.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Jul 5 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Tue Jul 4 Index No.	Mon Jul 3 Index No.	Fri Jun 30 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (206)	958.39	-0.1	11.04	4.17	11.14	15.85	959.54	956.11	952.10	802.50
2	Building Materials (29)	1187.92	+0.2	12.06	4.44	18.23	25.78	1185.34	1185.75	1180.66	1014.36
3	Contracting, Construction (37)	1615.15	+0.3	14.55	4.34	9.01	32.37	1610.61	1605.45	1596.91	1592.27
4	Electricals (9)	2827.30	-0.7	8.44	4.07	14.62	50.60	2847.12	2824.35	2788.08	2102.68
5	Electronics (30)	2179.63	-0.5	9.86	3.40	14.40	23.92	2191.26	2182.12	2190.93	1743.41
6	Mechanical Engineering (55)	531.06	——	10.05	4.01	12.25	8.48	531.18	526.99	523.48	416.13
8	Metals and Metal Forming (6)	511.40	-0.3	20.01	5.82	5.48	3.02	513.04	512.57	509.85	584.80
9	Motors (17)	526.17	+0.1	11.35	4.66	10.34	6.83	325.69	325.76	323.00	281.27
10	Other Industrial Materials (23)	1647.38	-0.2	9.18	4.24	13.01	30.21	1650.63	1643.97	1633.10	1350.28
21	CONSUMER GROUP (187)	1237.92	-0.2	8.95	3.64	15.97	19.18	1240.18	1232.55	1224.23	1098.01
22	Brewers and Distillers (22)	1556.48	-0.1	10.09	3.60	12.46	19.65	1357.85	1349.37	1337.36	1113.91
25	Food Manufacturing (20)	1111.12	+0.2	9.15	5.76	13.69	18.43	1109.82	1099.58	1094.25	995.86
26	Food Retailing (15)	2353.03	-0.1	8.76	3.24	14.94	25.59	2355.16	2346.49	2330.22	2037.35
27	Health and Household (14)	2241.74	-0.6	6.62	2.65	17.16	22.08	2254.29	2233.84	2216.19	1875.57
29	Leisure (33)	1655.36	-0.2	7.50	3.33	16.70	28.79	1659.42	1651.19	1642.63	1334.31
31	Packaging & Paper (15)	567.24	-0.5	10.24	4.33	12.35	8.30	570.14	564.17	560.35	529.25
32	Publishing & Printing (19)	3521.54	-0.4	8.78	4.72	14.38	71.88	3534.03	3524.45	3505.74	3521.61
34	Stores (34)	817.93	——	11.09	4.41	11.80	16.19	818.27	815.27	809.46	803.46
35	Textiles (15)	541.34	-0.3	10.99	5.36	10.89	14.97	543.18	539.47	537.56	606.62
40	OTHER GROUPS (93)	1115.87	-0.2	10.25	4.29	11.87	14.44	1116.46	1116.57	1112.36	917.72
41	Agencies (17)	1558.98	-1.0	7.38	2.40	16.76	15.02	1372.79	1374.54	1380.86	1178.97
42	Chemicals (22)	1273.84	-0.5	11.17	4.71	10.55	26.60	1282.54	1282.67	1277.66	1106.01
43	Conglomerates (13)	1659.31	+0.2	10.15	4.90	11.60	26.22	1656.41	1646.53	1635.11	1225.94
45	Transport (13)	2454.18	-0.3	8.73	3.67	14.88	39.22	2460.98	2452.32	2437.98	1901.83
47	Telephone Networks (2)	1053.49	-0.6	11.84	4.71	10.95	2.76	1059.33	1063.57	1062.51	998.72
48	Miscellaneous (26)	1662.96	+0.4	9.57	3.58	11.85	23.85	1656.51	1661.69	1651.86	1194.82
49	INDUSTRIAL GROUP (486)	1150.63	-0.2	9.89	5.95	12.47	17.33	1152.70	1148.46	1142.49	984.50
51	Oil & Gas (14)	2187.29	-1.5	10.88	5.31	15.18	52.03	2139.92	2129.64	2098.35	1849.60
59	500 SHARE INDEX (500)	1231.58	-0.4	9.92	4.13	12.56	20.18	1236.04	1231.31	1223.34	1057.80
61	FINANCIAL GROUP (124)	730.23	-0.4	–	5.40	–	17.86	733.49	729.69	724.17	717.33
62	Banks (8)	715.04	-0.9	24.70	6.72	5.32	21.71	721.37	716.99	712.31	693.22
65	Insurance (Life) (8)	1078.80	+0.5	–	3.53	–	29.86	1073.42	1068.32	1050.57	1073.47
66	Insurance (Composite) (7)	576.82	-0.1	–	6.24	–	16.75	577.61	573.75	569.21	555.70
67	Insurance (Brokers) (7)	954.27	-0.8	7.91	5.50	17.00	31.63	962.22	966.35	955.37	1016.79
68	Merchant Banks (11)	330.90	-0.2	–	4.70	–	7.30	331.49	331.87	332.06	357.48
69	Property (52)	1384.56	-0.5	6.38	2.93	19.97	16.19	1311.57	1305.33	1296.15	1226.56
70	Other Financial (31)	359.50	-0.4	11.33	5.11	11.03	8.59	360.95	358.75	357.37	391.09
71	Investment Trusts (69)	1157.14	-0.2	–	2.83	–	14.72	1159.13	1156.76	1149.69	928.48
81	Mining Finance (2)	663.05	-0.3	8.70	5.87	12.88	16.45	664.96	656.08	658.47	541.20
91	Overseas Traders (8)	1329.33	-0.1	11.25	3.58	10.10	35.07	1330.33	1326.52	1318.54	1198.92
99	ALL-SHARE INDEX (703)	1109.36	-0.4	–	4.28	–	19.41	1113.40	1108.83	1101.68	969.43

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 4	Jul 3	Jun 30	Jun 29	Jun 28	Year ago
FT-SE 100 SHARE INDEX♠	2162.9	-11.5	2175.9	2162.9	2174.4	2165.6	2151.0	2182.0	2209.4	1870.0

FIXED INTEREST

	PRICE INDICES	Wed Jul 5	Day's change %	Tue Jul 4	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	117.54	-0.02	117.56	–	6.18
2	5-15 years	131.66	-0.12	131.82	–	7.04
3	Over 15 years	145.76	+0.02	143.37	–	7.09
4	Irredeemables	165.70	+0.14	165.54	–	7.32
5	All stocks	129.86	-0.07	129.94	–	6.85
	Index-Linked					
6	5 years	136.66	+0.12	136.50	–	1.36
7	Over 5 years	134.93	+0.33	134.48	–	1.88
8	All stocks	134.94	+0.32	134.52	–	1.82
9	Debentures & Loans	112.94	+0.01	112.93	–	6.16
10	Preference	87.81	+0.04	87.77	–	3.20

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jul 5	Tue Jul 4	Year ago (approx.)
	British Government				
1	Low	5 years	9.98	9.96	9.35
2	Coupons	15 years	9.37	9.36	9.43
3		25 years	9.19	9.20	9.23
4	Medium	5 years	10.83	10.79	9.83
5	Coupons	15 years	9.86	9.84	9.65
6		25 years	9.42	9.41	9.46
7	High	5 years	10.95	10.92	[illegible]
8	Coupons	15 years	10.07	10.04	[illegible]
9		25 years	9.60	9.61	[illegible]
10	Irredeemables		9.52	9.53	9.48
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.73	3.76	2.69
12	Inflation rate 5%	Over 5 yrs.	3.68	3.78	3.88
13	Inflation rate 10%	5yrs.	2.97	2.99	1.70
14	Inflation rate 10%	Over 5 yrs.	3.51	3.55	3.71
15	Debs & Loans	5 years	12.05	12.05	10.97
16		15 years	11.70	11.70	10.91
17		25 years	11.35	11.35	10.85
18	Preference		10.32	10.32	9.57

♠ Opening index 2171.5; 10 am 2169.8; 11 am 2172.5; Noon 2175.8; 1 pm 2175.0; 2 pm 2172.7; 3 pm 2166.4; 3.30 pm 2167.3; 4 pm 2163.9 (a) 11.42am (b) 4.04pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. All indices are based on 4.05pm prices. CONSTITUENT CHANGES: Magnet (2) has been deleted and replaced by Barrett (Henry) (6).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	28	62	16
Corporations, Dominion and Foreign Bonds	0	10	31
Industrials	337	317	936
Financial and Properties	108	121	430
Oils	9	28	57
Plantations	1	0	10
Mines	36	29	109
Others	30	47	176
Totals	549	614	1,765

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§140	F.P.	–	178	140	Alan Paul 5p	166		L2.5	2.6	2.0	20.0
§110	F.P.	–	116	109	Allen	109		L4.2	2.8	5.1	8.4
[illegible]											

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
[illegible]							

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]							

TRADITIONAL OPTIONS

● First Dealings Jun 26
● Last Dealings Jul 7
● Last Declarations Sep 28
● For settlement Oct 9

For rate indications see end of London Share Service

Calls in Tusker, Butte Mining, Bula, Eurotunnel Int, Aaronson, Norfolk Cap, Myson, Amal Fin, Merivex, Tozer Kem, Lets Inv, Tullow, Control Secs, Johnson Matthey. Puts in Polly Peck, Securigard.

LONDON TRADED OPTIONS

A STRANGE tale unfolded on the London Traded Options Market yesterday, as ons or two stocks did a fair amount of business, and stocks in general little at all. The dealings in the nearest, September, expiry on tho FT-SE 100 Index future said perhaps more about the options market than the options market itself.

The September future expiry on the Index was closed little away from fair value, which allows for such things as dividend and interest rate expectations.

As for the options market, there was little business in total terms, but BAT Industries and Scottish & Newcastle led whatever chase there was for whatever hare there was, the one attracting 2,679 contracts, comprising 81 bargains, at an average size of 33.0 contracts, and the other 2,376 contracts, consisting of 50 bargains at an average size of 47.5 contracts.

Underneath the day's developments on the options market lay the recovery of sterling on the foreign exchange market and the accompanying weakening of the short-term interest rate market.

Contracts in the FT-SE 100 Index options came to a little less than one fifth of overall options turnover, a modest share by some recent standards, amounting to 5,438 contracts, made up of 2,374 calls and 3,064 puts — to stress the recent tendency for puts to outrun calls on the Index.

As for BAT's, there was business in particular in the August and November 650 calls, with overall business in the stock reaching 2,236 on the call side and 443 on the put.

Scottish & Newcastle, which is in the throes of reorganisation moves, found 2,376 contracts, consisting of 2,151 calls and 225 puts. The August calls in the 300, 330 and 360 series were active, as was the November 330.

Henson continued to attract attention, finding a total of 1,272 contracts, made up of 1,261 calls and 11 puts, as its bid for Consolidated Gold Fields appeared to be moving towards success. The August 200 calls in the stock alone saw 1,044 contracts traded.

British Steel found 1,605 contracts, Plessey 1,181 and British Gas 1,071, while ICI and Cable & Wireless saw some activity.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allid Lyons (*459)	420	42	60	67	1	5	9
	460	18	29	41	11	17	22
	500	2	12	21	43	44	47
Brit. Airways (*204)	180	27	34	37	1	2	3½
	200	9	17	25	2½	7	9
	220	1½	10	16	16	19	19
Brit. Com (*165)	140	28	34	38	2	4	6
	160	11	20	22	4	10	13
	180	3	11	13	18	20	24
Beecham (*648)	550	101	122	132	1	5	6
	600	53	78	93	2	10	15
	650	16	44	60	17	25	28
Storehouse (*153)	140	10	24	29	4	7	8
	160	6½	14	18	13	16	17
Trafalgar (*346)	317	34	46	53	1½	4	9
	347	10	25	32	9	14	21
	377	2	12	17	31	34	40
Utd. Biscuits (*373)	330	48	60	68	1½	5	8
	360	17	37	47	6	12	17
	390	7	20	31	21	30	36
Unilever (*598)	500	103	120	135	1	1	2½
	550	53	74	90	1	5	10
	600	12½	14	60	13	20	24
[illegible]							

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Tesco (*182)	180	9	15	22	5	9	9
	200	2	7	12	20	21	21
Option		**Jul**	**Sep**	**Nov**	**Jul**	**Sep**	**Nov**
ASDA Grp. (*178)	160	22	26	30	2	5½	4½
	180	6	12	17	7	11	13
Gateway (*238)	220	20	20	21	1	1	1½
	240	3	5	4	6	6	6
Option		**Sep**	**Dec**	**Mar**	**Sep**	**Dec**	**Mar**
Amstrad (*84)	80	14	18	21	6½	8	12
	90	9	13	13	12	15	17
Barclays (*450)	420	38	48	64	6	9	14
	460	12	24	36	26	26	34
Blue Circle (*529)	460	81	–	–	5	–	–
	500	48	66	82	12	16	20
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UK COMPANY NEWS

Morgan Stanley intends to make a market in Isosceles

By Nikki Tait

MORGAN STANLEY Securities, part of the US investment bank, said yesterday that it intended to make a market in Isosceles units if the newly-formed company's £2bn-plus bid for Gateway, the UK food retailer, is successful.

Morgan Stanley is the second securities operation to suggest that it would like to make a market in the units – each comprising three ordinary shares and nine preference shares – if Isosceles wins. Salomon Brothers, which was employed by Isosceles to value this paper element in the bid, has made similar noises.

However, like Salomon, Morgan Stanley might face Takeover Panel restrictions. The Panel has said that, in both cases, it would only consider requests if/when the Isosceles offer hacomes unconditional.

The regulatory body warns Gateway shareholders that it could impose an unspecified delay between the offer becoming unconditional and permission being given for market-making to start.

The problems arises in Salomon's case because, by virtue of its valuation work, it could be taken to be in concert with Isosceles. Yesterday, the Panel indicated that similar difficulties might arise with Morgan Stanley, given that the bank's corporate finance arm is advising Asda, another food retailer, which will buy the bulk of Gateway's superstores from Isosceles if the UK bidder wins. From this it could be argued that Morgan Stanley has an interest in the outcome of the bid.

The Panel has already made clear that it has no objection to a market-making facility being provided in due course, and has also suggested, in both cases, that it would hope to reach a decision rapidly about when this could start.

Yesterday, Morgan Stanley Securities maintained that it reached its decision independently of the corporate finance arm. It said that its market would be in Isosceles units – each comprising three ordinary shares and nine preference shares – although added that at some stage separate markets in the two types of share might develop.

The units are being offered to Gateway shareholders under Isosceles' cash and paper alternative offer. Isosceles also has e cash option of 230p per Gateway share, but this has been overtaken by the rival 242p per share offer from the rival US-backed bidder, Newgateway.

Morgan Stanley added that it did not expect the units to be listed in London, but that they would probably be quoted on Reuters. It declined to discuss what value its own analysts had put on the units. Salomon has suggested £60-£70, which is equivalent to 30p-35p per Gateway share, but other analysts' estimates vary.

Last night, Newgateway dismissed the Morgan Stanley initiative, claiming that "the number of market-makers is irrelevant – what matters is the long-term value of the units". With another seven working days to go before the Isosceles offer reaches its final close, this seems set to be the centre for further attacks from the Newgateway/Gateway camps.

All-round growth for AAH

By John Thornhill

AAH HOLDINGS, the distribution and services company with interests ranging from high-street chemists to building supplies, increased taxable profits by 22 per cent from £24.5m to £30m in the year to March 31 1989.

Mr Bill Pybus, chairman, said all five of the group's divisions had increased operating profits and had been helped by a buoyant economy, acquisitive and organic expansion, and a resilient performance by the pharmaceutical side.

The pharmaceutical activities continued to be affected by the UniChem share scheme, although this was declared anti-competitive and banned by the Monopolies and Mergers Commission.

However, the retailing side of the business – which currently has 77 pharmacies – substantially increased profits and helped the healthcare division lift trading profits 17 per cent from £15.7m to £18.4m.

High demand in the construction industry helped building supply activities yield profits of £5.1m (£4.1m).

Hamilton Electrical Distributors, contributing its first set of full-year figures, made trading profits of £3m, compared with £1.9m for eight months.

Turnover marginally increased to £1.02bn.

A recommended final dividend of 7.95p, gives a total of 11.95p (10.22p), payable from earnings of 30.1p (28.3p).

● **COMMENT**

Mr Pybus yesterday dismissed the UniChem affair as an irritating sideshow to the company's trading performance, and AAH does seem to have struggled through the episode in reasonably good shape; it may even receive some hefty damages for lost business. Yet the debris from the scheme will still impede AAH's progress along the pharmaceutical wholesaling path for some time as many wholesalers are largely locked into UniChem until its flotation. However, the retailing side is showing encouraging growth and the environmental services division, the other promising performer in the group, is emerging as a big player in the waste-disposal market after its acquisition of Go Plant. This business looks set to grow considerably as the process of compulsory competitive tendering at local authority level comes into full force next month. But the transport business may stall without further acquisitions and electrical supplies will be squeezed in the current economic climate. Overall though, the bulk of AAH's activities look pretty recession-resistant and pre-tax profits of over £36m, giving a prospective multiple of about 11.5, make AAH look fairly attractive.

Radical changes in a quiet revolution

David Waller looks at the transformation of BICC achieved by Sir William Barlow

BICC MAKES electrical cables and builds roads, power stations and tunnels and, as such, it is hardly an obvious candidate to qualify as a "go-go" stock.

But over the last year its shares have outperformed the market by 36 per cent and, in recent months, the company has sallied forth onto the acquisition trail.

BICC – best known as the owner of Balfour Beatty – is one of several UK groups which have enjoyed a substantial rerating over the last year as investors have woken up to the implications of an upturn in spending linked to the impending privatisation of the electricity industry.

Along with GEC and Hawker Siddeley, it is exposed to e sector which could – over the medium term at least – grow considerably faster than the rest of the economy.

A significant part of BICC's rerating is due to retrospective appreciation of the radical changes wrought by both Sir William Barlow, chairman of the group since January 1985 and e former chairman of the Post Office, and Mr Robin Biggam, who joined as managing director a year later.

Sir William, who came aboard as chief executive in July 1984, inherited a good deal of City disillusion. Lord Pennock, his predecessor as chairman, had taken BICC into the electronics sector to counter e cyclical decline in the cables business.

At the turn of the decade, investors had wrongly sensed the dawn of a new high-tech era and the shares outperformed the market by more than two and a half times between 1980 and 1982.

Unfortunately, the performance did not live up to the promise. Earnings per share fell by 19 per cent in 1981/82 and by 18.5 per cent the following year. The computer peripherals business into which BICC had diversified was ravaged by recession.

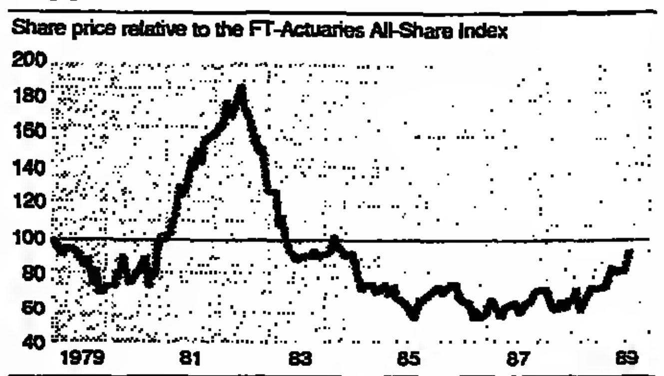
The shares went into reverse, dropping nearly threefold against the market between mid-1982 and mid-1985.

Sir William says now that there was little point to talking to a sceptical City when he first took the reins. Instead, he mounted a quiet revolution.

Phase one of the reorganisation included:

● A complete overheul of senior management. If one compares the board as it was constituted et the end of 1983 with the board now, it is pertinent to note that all the executive directors have changed. "The company has been taken over," Simon Hayes of Laing & Cruickshank observed yesterday, "not by a predator but by Sir William."

● A rationalisation of the UK cables business. Between 1983 and 1986, the head-count in this division fell by a quarter. This cost £23m in 1986 alone (taken below the line) and gave rise to an impressive rise in margins against a backdrop of basically static sales. Between 1984 and 1988, sales in the division grew from £494m to £583m; sales per employee climbed from £44,300 to £62,000; and margins rose from 4.7 to 7.8 per cent.



● A tidying-up of BICC's Australian interests. In 1984, BICC owned 64 per cent of Metal Manufectures and – via a complex web of cross-holdings and minorities – was the largest cable manufacturer in the Antipodes. A series of transactions saw all its Australasian businesses put under the control of Metal Manufactures.

● The technologies division was rationalised. Boschert, a supplier to the personal computer industry, was sold in 1985, and in the following year Sealectro and Vero Connectors were sold to ITT for £33m. Last month, BICC signaled a change of strategy for this division with a $44m tender offer for Andover Controls, a US designer of systems for "intelligent" buildings. The aim is to expand in areas complementary to the core businesses in cable and construction.

By contrast with all this activity in the cables business, Balfour Beatty, one of the UK's leading civil engineering contractors, was largely left to its own devices.

But in 1986 the company did move into the (then) booming house-building sector with the acquisition of Haden and a year later with the purchase of Clarke.

Phase two was to expand the cables business internationally via a series of acquisitions. The pace of this appears to have hotted up in recent months with a spate of deals in continental Europe and North America.

The quest to build global market share – which has parallels with the strategies pursued by other electrical companies, albeit in different sectors – began with the $90m purchase of Cablec, a New York-based manufacturer of heavy and industrial cables, in September 1987.

Subsequently, BICC has made further forays into the US – most recently with the purchase of Brintec in May this year – and continental Europe. In December last year, BICC took a 20 per cent stake in Spanish cables company Grupo Espanol General Cables, and last July bought Ceat Cavi, Italy's second largest cable manufacturer.

BICC is now continental Europe's third largest cable manufacturer, after Pirelli and Cable de Lyon. It hopes to benefit from (a) higher spending on the infrastructure in the EC in the run-up to 1992 and beyond and (b) bringing these operations to the same pitch of efficiency as the UK cables operations.

The financial consequences of the shake-up were muted at first, but in the last two years, pre-tax profits have improved by 54 per cent and earnings per share by 69 per cent. Mr Jim Ross of James Capel expects BICC to lift its profits from £156m in 1988 to £190m this year and £220m the year after.

Some analysts observe that Balfour Beatty's growth prospects are limited, given the intense competition in the contracting business worldwide, and that the rationalisation/acquisition strategy being pursued in Europe can only lead to finite growth.

But these worries are on the horizon and, in the short term, the shares seem fairly rated on a prospective p/e of 11½ for the current year, in line with the market average and significantly higher than the sort of multiple accorded to straightforward contractors like Taylor Woodrow or Wimpey.

Hollas expands 23% to £3m

By Edward Sussman

HOLLAS GROUP, the clothing distributor and yarn processor, increased pre-tax profits 23 per cent from £2.47m to £3.03m in the year to March 31, despite what its chairman described as "a classic combination of adverse factors."

Mr Tony Lawson said warm weather and high interest rates had affected the group, which generates the bulk of its earnings from its Fortwell subsidiary's sale of imported, specialised clothing to high street retailers.

Demand for waxed, cotton jackets virtually disappeared during the mild winter, he said.

But specialised niche operations, primarily in outdoor clothing, together with a string of small acquisitions, allowed all divisions to show progress.

Financing the acquisitions and the higher interest charges resulting from holding stocks of imported garments pushed interest payable up from £299,000 to £810,000.

Not reflected in the results is Hollas' most recent acquisition, in April for £8m, of Hawkshead Sportswear, a Cumbria-based retailer of outdoor clothing.

Also on the agenda for the current year is the establishment of a continental European base for specialised garment importing, either through acquisition or a start-up venture.

Turnover rose 44 per cent to £49.54m (£34.51m). Earnings per share were up to 6.6p (5.8p) and a final dividend of 1.6p makes a total of 3.1p (2.9p).

Related companies boost Rowe Evans to £3.64m

A SHARPLY higher share of profits from related companies enabled Rowe Evans Investments, a plantations group, to lift its own pre-tax profits from £1.92m to £3.64m for 1988.

The associates' share of profits more than doubled from £1.02m to £2.15m with both Bertam and Lendu achieving substantial profits from investment sales, most of which arose from the disposal of their respective interests in Colly Farms Cotton.

In addition, both companies benefited substantially from exchange gains associated with the sales. Rowe Evans' share of the two non-recurring items amounted to some £590,000 before tax.

Group turnover rose from £2.41m to £3.32m and gross profits worked through £571,000 higher at £1.64m.

Earnings per 10p share rose from 2.37p to 4.76p and shareholders receive a 0.5p lift in their dividend to 2p.

UK COMPANY NEWS

Attwoods buys Laidlaw's Florida operations

By Clare Pearson

ATTWOODS yesterday announced the purchase of the Florida businesses of Laidlaw Transportation, the Canadian waste management and bus concern, in a deal which will lift Laidlaw's stake in the UK waste disposal company to 34.2 per cent.

Following the purchase, the two companies will no longer compete for business in the US. Mr Ken Foreman, Attwoods chairman, said he hoped that it would allow them to pursue opportunities of mutual interest.

Laidlaw acquired a 28 per cent stake last January after it bought shares from ADT, the electronic surveillance and vehicle auction group, in which it also has a substantial stake. Laidlaw pledged not to make a hostile bid for Attwoods within the next two years, but the move prompted speculation that an agreed merger might result.

As consideration for the businesses, Attwoods is issuing 25.44m new guaranteed redeemable convertible preference shares worth around $57m (£35m). Laidlaw already owns 22.42m preference shares and 13.65m of the ordinary shares.

The sale amounts to a geographical tidying-up exercise between the two companies. Laidlaw is one of the dominant forces in the waste disposal industry in the US while Attwoods has most of its operations in Florida.

Mr Foreman said the rationalisation benefits of putting the Laidlaw businesses together with Attwoods' already extensive operations in Florida should make them substantially more profitable. In the year to end-August, they made pre-tax operating profits of $3.82m on sales of $24.06m.

The operations comprise four units in Tampa, Jacksonville, Port St Lucie and Palm Beach, which are involved in collection, transportation, disposal, recycling and reclamation of solid waste. These units operate a total of 110 vehicles on behalf of about 100,000 customers. Laidlaw also runs one small landfill site under contract.

Attwoods will pay to Laidlaw in cash most of the value of any stock and debtors at completion of the acquisition, and the cost of any increases in plant and equipment between the beginning of March and completion.

The acquisition is conditional on approval of Attwoods' other shareholders, as well as the consent of local municipalities to the transfer of contract and franchise agreements.

Attwoods was this week the subject of a television documentary centring on one of its Florida subsidiaries, Industrial Waste Service, which claimed, among other allegations, that two of its directors had made payments to a US official in a position to influence the award of a contract in its favour.

Mr Foreman said the programme was "seditions left-wing clap-trap" and he did not think it would influence the company's standing in the US.

The shares have fallen in recent days by some 25p and closed yesterday at 475p.

Albert Fisher pays £3m for the Danoxa brand name

By Vanessa Houlder

Albert Fisher Group, the food distributor and processor, has conditionally agreed to pay £3m for the Danoxa brand name and canned food business of S Daniels, the food and beverage products importer.

The acquisition is intended to strengthen the position of Albert Fisher's Unimerchants division in tomato and fruit products and extend its range to meat and fish products.

Unimerchants also intends to market a number of other food products under the Danoxa brand name.

Unimerchants will also buy the division's stock and settle the debtors and creditors, giving an expected net cash benefit to Daniels of more than £5m. Daniels, which suffered losses of £231,000 in 1988, said that the sale was part of its strategy of moving into higher margin areas.

The division made a gross profit of £629,000 on turnover of £11.9m in 1988 after being affected by currency and market problems.

Elders pledges to reduce S&N stake below 10%

By Ray Bashford

ELDERS IXL, the diversified Australian brewer, has given undertakings to Lord Young, the Secretary of State for Trade and Industry, that it will cut its holding in Scottish & Newcastle Breweries to less than 10 per cent by July 1 next year.

The Monopolies and Mergers Commission told the Australian company last March that a 12 month period would be granted for a reduction in the shareholding from 24 per cent to less than 10 per cent.

However, the disposal period did not begin until Lord Young accepted "appropriate undertakings" with the key point of agreement being that the disposal must be completed within 12 months, although this could be "subject to some flexibility in the light of market conditions."

The instruction to cut the holding was given at the same time as the MMC blocked the company's takeover offer for S&N.

Broad Street changes bid terms

By John Ridding

Broad Street Group, the public relations, advertising and marketing consultancy, has reached agreement to change the terms of deferred payments on four of its acquisitions.

Under the changes, which have been made to improve the growth of earnings per share, the company will pay the "earn out" considerations substantially in cash and loan notes rather than new shares.

The acquisitions concerned – Profile, Attitudes, Financial Dynamics, and Markham – involved deferred payments of an estimated £6m over the next two to five years.

Initially all were to be satisfied by the issue of shares but following negotiations with the various vendors over the past eight months agreement has been reached whereby less than £1m will now involve the issue of shares.

In addition, the maximum possible deferred consideration for Financial Dynamics has been raised from £5.25m to £7.5m. According to Broad Street, this reflects the improved earnings potential of the subsidiary and the introduction of higher profits targets.

Of the four acquisitions, only Markham will retain an element of shares.

Broad Street said that although the company's gearing will be increased its various subsidiaries are cash generative and that "any interest payments will be amply covered by future profits."

Foreign stake limit in RR may be lifted

By John Thornhill

BRITAIN will make a fresh proposal in the next two weeks to raise the 15 per cent limit on foreign shareholdings in Rolls Royce to just under 30 per cent, European Commission sources suggested yesterday.

Mr Martin Bangemann, the EC's industry commissioner, is believed to have discussed this issue with Lord Young, Britain's industry secretary, in London on Tuesday, although the DTI would not confirm this.

Yesterday, a Commission spokesman said that Mr Bangemann had given a report on this matter to the EC's executive body and would return to the subject in the near future.

The issue has been a matter of some dispute between the two sides since last year, when disgruntled foreign investors first raised the subject with European Commission after they had been forced to dispose of shares in excess of the 15 per cent limit.

Under EC law, member states must give each others' citizens equal treatment when buying capital in companies unless essential security risks are at stake.

There has been persistent speculation that the limit might be raised. Both Rolls Royce and British Aerospace - which has an identical foreign shareholding limit - have made it clear that they favour such a rise, as the present ceiling is believed to dampen their share price performance.

The Government introduced the limit when it privatised the two companies to prevent key sectors of Britain's defence industry being taken over by foreigners.

87% pay rise for C&W chief

Lord Sharp, chairman and chief executive of Cable & Wireless, the telecommunications company, last year received a 87 per cent pay increase to £388,531.

A more modest pay rise of 32 per cent was given to Mr Oscar DeVille, chairman of Meyer International, a distributor of building materials and timber, as his pay grew to £156,424.

Sir James Blyth, who joined Boots, the chemists, in 1987 as chief executive, was paid £307,000 last year. In the previous year, the highest paid director was the chairman, Mr Robert Gunn, who received £194,000.

Vista makes first purchase

Vista Entertainments, the Third Market-traded leisure company, has made its first purchase since its listing in April.

It is acquiring Manchester Theatres, which owns two listed theatres, for a total consideration of £3.53m and borrowings amounting to £3.25m. The two theatres were recently valued at £6.75m.

The £3.53m will be satisfied by a combination of shares and cash.

The vendors will take 6.88m new ordinary shares valued at 12p each and Brewin Dolphin have vendor-placed a further 30m new ordinary at 9p per share to finance the remainder of the acquisition.

A further 1.5m shares have been placed towards meeting the acquisition expenses.

Recent acquisitions help Newman Tonks climb 25% to £9m

By Richard Tomkins, Midlands Correspondent

INITIAL CONTRIBUTIONS from recent acquisitions helped Newman Tonks Group, the Birmingham-based architectural hardware group, increase pre-tax profits by 25 per cent from £7.19m to £9.01m in the six months to April 30 1989.

However a first-time dividend payment of £572,000 on the convertible preference shares issued in last August's £19.2m acquisition of Legge, the lockmaker, wiped out the subsidiary's maiden contribution at the bottom line.

Earnings per share consequently grew by a more modest 14 per cent, from 6.96p to 7.93p.

Mr Doug Rogers, chief executive, said that all divisions of the group had performed well, and added that, for the first time in three years, translation of dollar profits from the US operations had not been adversely hit by shifts in the exchange rate.

The acquisition of Legge and 31 per cent of Tesa in Spain were working successfully, and though neither had contributed to earnings per share this time, the synergistic benefits of these and other recent acquisitions were beginning to show through.

Group turnover rose from £70.47m to £81.32m. The interim dividend is raised 12 per cent to 3.8p (3.49p).

Unusually, an exceptional gain of £1.01m on a property disposal has been taken below the line instead instead of pre-tax, and is excluded from earnings per share.

Acquisitions since the year began include Dixie Pacific Manufacturing; the Falcon Lock division of Masco Building Products Corporation in the US, as well as the minority interest in Monarch Hardware, Newman Tonks' US emergency exit hardware company.

The group has also bought the Martin Roberts commercial door company in the UK and entered ironmongery distribution through its purchase of DA Thomas and its unconditional offer for Laidlaw Thomson.

● **COMMENT**

Yesterday found Newman Tonks in its hair shirt, spurning the opportunity to claim 36 per cent earnings growth by excluding an exceptional property gain from the figures. But then, steady progress has long been more characteristic of the company than spectacular flurries: and nowhere has this been more evident than in the acquisition policy. This – at least since the group was outbid for Henderson – has consisted of steady infilling, both in terms of product range and geography. The result finds Newman Tonks better positioned than some to face a downturn in the UK economy: a quarter of turnover is overseas, another quarter is directly or indirectly exported, and most of the rest goes to the commercial sector rather than the more vulnerable domestic market. On expectations of £20.5m pre-tax this year, the p/e multiple of 11 looks rich for a company on 11 per cent earnings growth: but safety is a virtue, and there is a prospective yield of 6.7 per cent to boot.

Herrburger shares rise 20p on news of approach

By John Ridding

HERRBURGER BROOKS, a manufacturer of piano parts and office furniture, said yesterday that it had received an approach which could lead to a bid. Shares rose 20p to 245p.

Mr Gil Kirkman, chairman, declined to comment on the approach except to deny that Kimball International, Herrburger's US parent company which currently owns 51 per cent of the equity, was to buy the remainder of the shares.

Herrburger's pre-tax profits fell from £161,000 to £64,000 in the year to the end of March 1988. The fall reflected continued losses at its furniture operations and far eastern competition in the piano parts market.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
AAH	fin	7.95†	Oct 10	6.624	11.95	10.224
Bucknall Austin§	fin	2.8	Sept 15	-	3.9	-
Hollas	fin	1.6†	Oct 2	1.5	3.1	2.9
Newman Tonks	int	3.8†	Aug 17	3.4	-	8.5
Rowe Evans	fin	2	Aug 24	1.5	2	1.5
Toothill (RW)	fin	2.7	-	5.39	6.3	8.99

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

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The trouble with most

SOME PEOPLE

ambitious people is that

JUST STOP

they're not ambitious

WHEN THEY GET TO

enough. They get what

THE TOP.

they want, and then set

about making sure they

OTHERS CHANGE

don't lose it. But the

DIRECTION.

people with real talent

conquer one area and then look for another challenge.

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UK COMPANY NEWS

A question of communication

Philip Coggan homes in on Systems Reliability's expansion plans

MR ROBERT Evans has not been discomfited by the recent transport strikes. He works from home. He has a computer, a facsimile machine, a printer and a telephone system and he types his own letters.

What makes this unusual is that he is not a self-employed businessman but chief executive of a public company – Systems Reliability Holdings. And the homebound Mr Evans has launched the group on a phase of rapid growth since he joined from foods group Hillsdown Holdings last year.

Within the space of eight months, Mr Evans has unleashed a spate of acquisitions worthy of Hillsdown itself. Now he has the task of convincing tha City that his chosen business sector, compnters and telecommunications, will not lead Systems down the road to ruin like so many others before it.

Mr Evans, 34, qualified as a chartered accountant before joining the then privately-owned Hillsdown in 1978. During Hillsdown's period of phenomenal growth in the early 1980s, he was often sent in by founder Mr David Thompson to act as finance director of newly-acquired meat companies.

He was also involved in the establishment of Hillsdown Investment Trust, a 90 per cent-owned subsidiary created to invest in non-mainstream businesses. One of the first such holdings was in Fletcher Dennys Systems, a microcomputer dealer.

Fletcher Dennys had joined the Unlisted Securities Market in 1986 on the back of a strong growth record, but disaster struck within the first year when expected local authority orders failed to materialise because of budgetary constraints.

A consortium led by HIT took a 74 per cent stake in return for a capital injection of £2.1m but it soon became apparent that the problems were much worse than feared. "Fletcher Dennys should have gone bust," says Mr Evans. "It had no management systems at all when we got involved".

Soon HIT merged Fletcher Dennys with Systems Reliability, a telecommunications company which makes the Orbitel telephone management system.

Mr Evans decided to step in as chief executive, effectively ending his role at Hillsdown. "Hillsdown had grown so much, it had become a different company," ha says. "I wanted to do something myself and apply the lessons I learnt there." HIT has since cut its stake in Systems to 4.3 per cent – realising a £2m profit.

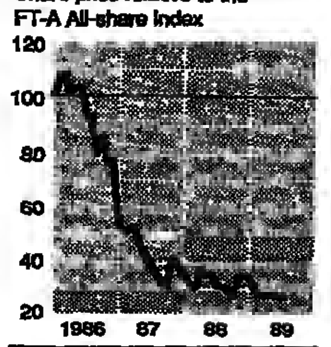
The other Systems directors found the new regime distinctly spartan. Mr Evans has imposed strict financial controls in the Hillsdown style, and the restrictions apply to the executives as well.

"I made it clear that I didn't want any expensive funnies," Mr Evans says. "I took all their corporate credit cards away and to set an example, I don't submit any expenses myself." Rather than the company making charitable donations, Mr Evans suggested the executives contribute to a fund out of their own pockets.

One of the first problems to sort out was the ailing Fletcher Dennys. Systems' solution was to buy Essex and City, a rival microcomputer dealer, and merge the two operations. Fifty people were made redundant and Mr Evans brought in a financial controller from Hillsdown to watch over the budgets of the merged micro gronp, renamed Corporate Computers.

Systems Reliability

Share price relative to the FT-A All-share index



Robert Evans: unleashed a spate of acquisitions

Bnsiness remains hard, admits Mr Evans, as the widely reported problems of other dealers such as MBS illustrate. But maintenance business, one of Fletcher Dennys' few plus points, brings in a steady amount of turnover. Systems has also acquired SE Computers, a profitable Hastings-based dealer, for £840,000 with further payments calculated on a p/e of 8.

The telecommunications business had a good product in Orbitel but, says Mr Evans, "it was not communicating with customers at all." Systems now has established user gronps, which have generated soms "lively discussions," but will, Mr Evans believes, eventually create goodwill. "If customers know one product of yours works, they will buy others."

He cites hotel telephone systems and Voicemail, a personalised answering machine which can be used by large offices, as two products he believes have a good future. And then there is Aquix, the company best known for the identity card scheme it operates at Luton football club.

Aquix is on the shortlist for the Government's national identity card system but Mr Evans says that it is not the main reason it was acquired. The same technology can be used for security access control at offices, allowing employers not only to monitor who enters the building but the time when employees arrive and depart.

The third leg of the enlarged Systems consists of Enterprise Computer Services and Chase International, companies which reconfigure IBM mainframe computers. This allows customers to upgrade their existing mainframes rather than purchase a new higher-powered machine.

The business is high in added value, turning over £45m but employing only 45 people.

The three divisions – computer dealing, telecommunications and mainframe reconfiguring – mean that Mr Evans believes that Systems can offer customers services across the computer disciplines and, with the opening of offices overseas, on a worldwide basis.

But he recognises that a lot of work still needs to be done. "We need to build up credibility in the market," he says. "For every good computer company, there are 20 or 30 bloody awful ones."

Now that Systems has made its first round of acquisitions, he believes it is time to sqnaeze profits ont of the existing business and build up a convincing track record.

Last year, Systems made pre-tax profits, after exceptional items and discontinued activities, of £1.4m but earnings per share halved because of the extra shares in issue.

This year, Phillips & Drew, the company's broker, is forecasting profits of £6.25m and trebled earnings per share.

One route to growth that Mr Evans foresees arises from his housebound working habits. He found it difficult to assemble the various electronic gadgets – computer, facsimile, printer – from the myriad potential suppliers.

So he wants Systems Reliability to assemble them in one package to offer the executives of the future the "home management kit."

COMPANY NEWS IN BRIEF

BROOKES SERVICE GROUP is to acquire the North Staffordshire Laundry at Newcastle, Staffs for £0.585m in shares.

CI GROUP has acquired CIC Ralphs from C and J Clark for an undisclosed sum. CIC Ralphs is a manufacturer of direct injection polyurethane moulding machines and rubber vulcanising machines. Turnover in the year to January 31 last was just under £5m, 40 per cent of which was exported.

EQUITY AND General is to acquire F Ogglesby (Harpenden), a Vauxhall main dealer, and Carriageway Leasing for an aggregate £1.1m to be satisfied by the payment of £350,000 cash, the issue of £400,000 three year loan notes and the issue of 1.25m ordinary shares.

EXCALIBUR GROUP has acquired Clarke Precision Engineering, a Birmingham based manufacturer of precision engineered automotive components, for £1.21m cash and £137,500 by the allotment of 171,875 new ordinary shares at 80p each.

GT VENTURE Investment Company has exchanged contracts to purchase a portfolio of unquoted investments from Lazard Select Investment Trust for £1.12m cash.

HT HUGHES has purchased the waste disposal interests of Farnborough based Thomas Hirst and Son for £329,000.

IAWS GROUP is offering shareholders one new A ordinary at 77p per share for every 12 ordinary registered.

INDUSTRIAL CREDIT Corporation: Pre-tax profits £2.52m (£1.93m) for six months to April 1989. Income £39.87m (£31.12m) and earnings per share 15.7p (12.1p). Interim dividend 3p.

INTERNATIONAL INVESTMENT Trust of Jersey made pre-tax profits £403,000 (£21,000) in 1988, consisting of investment activitias £352,000 (£356,000) and share of REA Holdings and related companies £52,000 (£335,000 loss). Earnings per £1 share 0.6p (26.6p loss). Extraordinary credits £2.16m (£1.21m).

KLEINWORT BENSON Gilt Fund: net asset value per share £12.94 (£13.41) at July 2. Gross profit for three months to July 2 £1.51m (£1.17m).

KODE INTERNATIONAL has sold computer software distributor Xitan to Cullanan for an initial £850,000 cash, to be followed by a further £250,000 payable over the next four years.

LANCASTER has acquired the trading assets of Quadrifoglio, its second BMW dealership, for approximately £1.93m cash.

MAXWELL COMMUNICATION Corporation has acquired Institute for Fagsprog Aps, a Danish language translation and interpretation services company, for $2.6m (£1.65m).

MAYNE NICKLESS has acquired the 50 per cent holding of Partnership Pacific that it held in Stonehenge Properties for cash, thus making Stonehanga Properties a wholly owned subsidiary of Mayne.

MENZIES (JOHN) has purchased The Scan International Group, The Wholesale Courier and Aircargo Specialist fore an undisclosed sum.

Robert Maxwell: chief of Maxwell Communication

MERGER CLEARANCES: The proposed acquisitions by Newco of Babcock International, by Anglo United of Coalite Gronp, by Carlton Communications of UEI, have not been referred by the trade secretary to the Monopolies and Mergers Commission.

MILLWARD BROWN, the advertising research company and part of the WPP group, has announced the acquisition of 50 per cent of Alef, Spain's third largest research agency.

MONARCH RESOURCES: Global Resources International has disposed of its 23.3 per cent stake. A family trust of Mr Adrian Nash, depnty chairman, has increased its holding to 1.75m shares (12.06 per cent) by the purchase of 1m shares. The balance has been placed with institutions.

MOUNT CHARLOTTE Investments is issuing £100m of 10.75 per cent first mortgage debenture stock 2014 to replace existing borrowings.

MTM has acquired, for £411,788 in shares, the technology and know-how for the manufacture of additives for use in the oil industry.

NESCO INVESTMENTS has acquired the assets of Zonnenberg Computer Services from the Dntch company S-Hertogenbosch. ZCS markets computer software for the trucking and distribution industry.

NEWMAN TONKS has declared its offer for Laidlaw Thomson unconditional in all respects. Acceptances have been received in respect of 5.93m shares, giving it ownership or control of 90.8 per cent.

NORTHERN ENGINEERING Industries: Rolls Royce is now beneficially interested in 92.3 per cent of NEI. Rolls Royce has received acceptances in respect of 91 per cent of NEI and intends to compulsorily acquire the remainder.

ORBITAL COMMUNICATIONS: The placing of 6m new ordinary shares at 50p to raise £3m closed fully subscribed at 3.30pm on June 29.

PRIEST MARIANS announced it has exchanged put and call options for the sale of the freehold interest in College House, Wrights Lane, London W8 for £29m in cash.

REED INTERNATIONAL's acquisition of the Travel Information Group of News Corporation is not to be referred to the Monopolies and Mergers Commission.

ROYAL BANK of Scotland has acquired the remainder of AT Mays Group (Holdings) that it did not already own for £8.83m in shares.

WALTER RUNCIMAN has purchased the Silver Roadways haulage division of Tate & Lyle Industries for around £196,000, to be satisfied by the issue of 43,500 Runciman ordinary.

SHARE STAKES

Changes in company share stakes announced recently include:

Adscene Group – Guernsey Nominees has acquired 20,000 shares lifting holding to 1.89m (12.77 per cent).

Andaman Resources – Glencar Exploration has purchased 150,000 shares at 73p apiece, increasing holding to 616,310 shares (20.8 per cent).

Anglo-Eastern Plantations – International Investment Trust of Guernsey sold 6.21m shares (33.95 per cent) at 98p reducing stake to 4.9 per cent. Chillington Corporation has purchased 2.5m shares, representing 13.68 per cent, at the same price. Chillington now holds 9.55m Anglo-Eastern shares (52.18 per cent).

Associated Energy Services – Cleves Investments purchased 293,768 shares at 43p from Mr R Gillott and now holds 639,300 (9.23 per cent).

Barbican – Mr A C Milton, chairman, has agreed placing on or before July 31 of 70m (6.1 per cent) Barbican shares currently owned by North of England Industrial Estates. Mr Milton has acquired the right to purchase a further 75m shares (6.6 per cent) from North of England at 1.6p per share.

Beacon Group – Howmac has exercised options over 115,533 Beacon shares at 36p each and now holds 1.3m shares (5.35 per cent).

BHH Group – Following purchase of 493,220 shares, Douglas Trustees is interested in 2.56m shares (7.07 per cent).

Brent Walker – Birdcage Walk, a company owned by trustees of settlements for the benefit of Mr George Walker, has acquired 75,000 shares at 365p apiece, and now holds 11.62m shares (22.75 per cent).

British Empire Securities and General Trust – Equitable Life Assurance Society acquired 1m shares taking holding to 5.28 per cent.

Burford Holdings – Singer and Friedlander holds 9.32m shares (7.68 per cent).

Cabra Estates – Universities Superannuation Scheme holds 4.96m shares (5.36 per cent).

Cannon Street Investments – Mercury Asset Managsment has sold 13.33m shares reducing stake to 10.9m (14.53 per cent).

China and Eastern Investment – Esso Pension Trust has purchased 300,000 taking total stake to 1.43m shares (6.28 per cent).

City of Oxford Investment Trust – Olliff and Partners has sold 312,500 income shares reducing holding to 1.18m income (5.9 per cent).

Cook (DC) – Scottish Amicable Investment Managers has beneficially acquired 200,000 shares, raising total holding to 1.33m shares (5.54 per cent).

Countyglen – Bank of Ireland nominees has purchased 190,000 shares (5.07 per cent).

Cranswick Mill – Scottish Amicable Investment Managers has purchased 25,000 shares and now holds 425,000 (6.25 per cent).

Daily Mail and General Trust – Rothermere Investments has purchased 5,000 shares at 261 each and is now interested in 2.61m (52.46 per cent).

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1989							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sept.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1989							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1989							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL- Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmr. credit £m	Base rate %
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1989							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INFLATION- Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

	Earn-ings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdy.	Sterling
1988							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
November	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1989							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
January	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
February	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*Not seasonally adjusted.
†Net changes in amounts outstanding, excluding bank loans.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- Owners Abroad.
Finals- Aberlyle, Baker Harris Saunders, Danjan, Dominion Intl, FKB, Fitch Lovell, Foller Smith & Turner, Israel (Jack L), Peel, Ross Consumer Electronics, Russell (Alexander).

FUTURE DATES

Interims-
BWD Securities ... July 12
Hodgson ... July 18

Finals-
Union Square ... July 10
Zetters Group ... July 11

UK COMPANY NEWS

Hestair expands its computer personnel side

By John Ridding

HESTAIR, the personnel services and consumer products group, is expanding its computer personnel business through the acquisition of Direct Programming Services Limited for a maximum consideration of £3.4m cash.

DPSL provides skilled computer personnel, on a temporary basis, to companies in the south east of England. Based in the City of London, it has approximately 160 personnel on assignment to clients.

Sales to end-July 1989 are estimated to reach £6.7m and pre-tax profits are warranted at £640,000.

Hestair already has a presence in the computer personnel market through Hestair Computer Group. HGC has approximately 500 personnel on assignment and derives about half of its revenue from overseas clients.

According to Mr Richard Raworth, deputy chairman, "the customer bases of HGC and DPSL do not overlap substantially and their list of contractors are broadly complementary."

Annual sales of the combined businesses will be in the region of £30m.

Hestair said it expected the business to be highly recession-resistant because of a major worldwide shortage of skilled computer personnel.

Growth for Sun Alliance in Australasia

By Eric Short

SUN ALLIANCE Group, the UK composite insurance company, has expanded its life operations in Australia and New Zealand.

In New Zealand, Sun Alliance Life has acquired the life operations of Royal Insurance.

In a separate move, Sun Alliance Life Assurance, has agreed to acquire the majority of the life business transacted in Australia and New Zealand by AMEV, the Dutch insurance group.

These moves will bring an extra £4m regular premium income to Sun Alliance's Australian life operations making a £13m total. It still has a very small share of the Australian life market.

Many UK and other overseas insurance groups with far larger life operations have pulled out of the country because of the intense competition.

The New Zealand acquisitions will double Sun Alliance's regular premium income in that country to £20m — a 5 per cent share of the market.

London and Manchester buys estate agency for initial £7m

By Clare Pearson

LONDON AND Manchester Group, the financial services concern, is expanding its estate agencies interests with the purchase of Home Counties-based Carson & Company (Property Services).

It described the acquisition as an opportunity presented by the present downturn in the housing market.

The initial consideration is £7.14m, of which £1m depends on profits of £125,000 being achieved in the months up to end-December and the level of mortgage business submitted to L&M in that period. This initial payment will be satisfied as to £6.98m in shares, of which £3m worth will be placed, and £165,000 in cash.

Further payments of up to £20m will be paid subject to profits exceeding a compound growth rate of 40 per cent per annum in the years 1990 to 1994 inclusively.

Carson, involved in residential and commercial estate agency, achieved fee income of £5.97m last year, and its pre-tax profits were £1.08m.

Net tangible assets were £827,000.

The purchase adds 21 further estate agencies to L&M's existing clutch of 73, and completes its coverage of the southern counties of England apart from Essex, Kent, and Cornwall.

In addition to pursuing the strategy of using estate agencies as a means of distribution of its other services, L&M has also built up a mortgage portfolio, on which it made £2.07m in 1988.

Bucknall Austin shows 55% advance

By Richard Tomkins, Midlands Correspondent

BUCKNALL Austin, the first quantity surveyor and project manager to be floated on the USM, ended its first year on the market by reporting pre-tax profits 55 per cent higher at £1.22m.

A buoyant construction market helped lift turnover from £9.69m to £13.94m in the year to end-April 1989, but the company's widening range of services and broad geographic base also produced an increase in market share.

Quantity surveying remained the core activity, contributing £1.01m (£632,000) pre-tax, but profits on project management and control doubled to £212,000.

Recent projects to which Bucknall Austin has been appointed include the £400m installation of print facilities for News International in London and Liverpool, and the £250m redevelopment of the Bull Ring shopping centre in Birmingham.

Earnings per share were ahead 25 per cent to 11.5p (9.2p), and a final dividend of 2.8p is proposed, making 3.9p.

Turkish stake for Hartley Baird

By Clay Harris

HARTLEY BAIRD, the electric motors and domestic appliances group, is making its first move outside the UK with the acquisition of a 50 per cent interest in Uçfaz, a Turkish manufacturing company, for £650,000.

Mr Stephen Kaye, Hartley Baird chief executive, also said yesterday that the company hoped to introduce its shares to the Third Market or USM later this year. At present, the shares are traded on a matched-bargain basis under rule 535(2), having lost their full listing in the 1970s.

Uçfaz, based in Izmir, makes plastic mouldings and small appliances, including vacuum cleaners under licence from Hoover.

Its customers include Ford and Renault.

The Turkish company will be renamed Baird Electric and will manufacture electric motors for export to the UK. It will be the base for Hartley Baird's extension of its product range from universal motors to induction motors, Mr Kaye said.

Although Uçfaz's labour costs were about 10 per cent of UK levels, Mr Kaye said Hartley Baird had "absolutely no intention" of shifting any motor production from its Birmingham and Shoreham plants.

However, Hartley Baird would be reviewing production arrangements for vacuum cleaners, which it produces in the UK and sells under the Lite 'n' Easy brand.

For the stake, Hartley Baird is paying £610,000 in cash and £40,000 in shares valued at 60p each.

The other half of Uçfaz is owned by the Taner family.

Toothill again hit by upholstery regulations

RW TOOTHILL, the upholstered furniture manufacturer, continued its fall in pre-tax profits with £73,000 for the year to March 31.

Last time the company made £253,000 (£329,000 for 1987), a drop then attributed to the Government's new safety regulations for upholstery foams and fibres.

The figures were struck after making provision for the write-off of materials and work in progress which were inapplicable to the new upholstery range.

The new range, the company added, was now fully engineered and in production. Although sales were encouraging, the present economic climate and high interest rate policy were hampering the company's efforts.

Invoiced sales were down to £4.85m (£4.95m). After tax of £24,000 (£94,000), earnings were 6.94p (22.81p) per share. The proposed final dividend is reduced to 2.7p (5.39p) making 6.3p (8.99p) for the year.

Adwest makes French buy

By John Ridding

ADWEST GROUP, the diversified engineering and property company, is expanding its automotive division through the acquisition of Laval et Gaymard, a French component manufacturer, for £2.14m.

Laval et Gaymard is a private company which makes automotive hand-brake and pedal mechanisms and gear selectors. It has an annual turnover of about £10m.

Mr Michael Waller, Adwest managing director, said the business would be integrated with Bowden France, the control cable subsidiary.

Mr Waller that the automotive division was increasingly focusing on continental Europe. About one third of the division's output is produced there and this is expected to rise to about half by the end of the year. It accounts for about half the division's sales.

The consideration comprises £2.1m in cash and the issue of £36,514 in ordinary shares to the vendors.

Helical dividend payment

By Philip Coggan

THE ROYAL Bank of Scotland spoke out yesterday about the error which led to shareholders in Helical Bar, the property development and investment company, receiving a final dividend of 5.8p instead of the planned 5p.

The bank, which acts as Helical's registrars, said it was not responsible for the error.

The statement said that the bank "acted upon the express and written instructions of the company and paid out the final dividend on that basis. Helical Bar provided the exact amount to pay the dividend at 5.8p per share."

The 0.8p excess is being treated as a first interim dividend for the 1989-90 year.

PUBLIC WORKS LOAN BOARD RATES

Effective July 5

Years	Quota loans repaid by EPT†	Quota loans repaid ANN††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPT†	Non-quota loans A* repaid ANN††	Non-quota loans A* repaid at maturity§
1			12¾			13½
Over 1 up to 2	12½	12½	11⅞	13½	13½	12⅝
Over 2 up to 3	12⅛	12	11⅝	13⅛	13	12⅛
Over 3 up to 4	11¾	11⅝	11¼	12¾	12⅝	12
Over 4 up to 5	11½	11⅜	11	12½	12⅜	11¾
Over 5 up to 6	11⅜	11¼	11	11⅞	11¾	11½
Over 6 up to 7	11¼	11⅛	11	11¾	11⅝	11½
Over 7 up to 8	11⅛	11⅛	10⅞	11⅝	11⅝	11⅜
Over 8 up to 9	11⅛	11	10¾	11⅝	11½	11¼
Over 9 up to 10	11	11	10½	11½	11½	11
Over 10 up to 15	10⅞	10⅝	10⅛	11⅜	11⅛	10⅝
Over 15 up to 25	10¼	10	9¾	10¾	10½	10¼
Over 25	9⅞	9⅝	9⅝	10⅜	10⅛	10⅛

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

COMMODITIES AND AGRICULTURE

Chicago grain futures soar as Midwest scorches

By Deborah Hargreaves in Chicago

GRAIN FUTURES prices soared on the Chicago Board of Trade yesterday as a hot, dry weather system settled over most of the Midwest.

As temperatures broke through 90 degrees over the cornbelt, most grain futures contracts remained locked at their upper limits.

"This is strictly a weather market," commented Mr Vic Lespinasse, a floor trader at Dean Witter in Chicago, "as long as there's no rain in the forecast, we'll stay limit up."

Traders say the grain market is still far from the fever pitch it reached during last year's prolonged US drought, but they are ready to jack up prices if it stays hot.

Speculators rushed to buy maize and soyabean futures yesterday after weather forecasters predicted another five days of temperatures over 90 degrees with no rain in major maize and bean growing states.

The cornbelt never fully recovered from last year's drought and sub-soil moisture levels remain depleted as the crop enters its critical growing period in the next few weeks. The January to June period is the seventh driest on record for Iowa, where rainfall is five inches below normal, according to Mr Harvey Freese at Freese-Notis Weather service, a private forecasting operation.

By July 20, most maize will be moving into its critical pollination period when normal temperatures (between 80 and 90 degrees) and adequate moisture are crucial.

The futures market is looking ahead at problems that may occur with the crop if the weather stays hot and dry. With the maize price at around $2.70 per bushel, the market is still a dollar below last year's peak. "But it's up on the anxiety factor as it sees symptoms of problems that could develop," says Mr Dan Markey at Agri-Analysis in Chicago.

So far, the maize crop is looking healthy, farmers report, but the soil is badly lacking moisture and suffering from chemical damage. Residues of pesticide remain on the ground to affect this year's crop after rainfall last year was not high enough to wash them away.

Most analysts do not expect a repeat of last year's drought which decimated crops across the cornbelt. But even a short period of intense heat and no rain will be enough to hurt crops as the soil struggles to recover from last year. In the meantime, Chicago's traders are hanging on every word from the weatherman.

● Oilseed crushing in 41 major countries in April/June is projected to fall to 40m tonnes, down 3.3 per cent from the previous year, the newsletter Oil World said, reports Reuter from Hamburg.

De Beers reports diamond sale record

By David Blackwell

THE CENTRAL Selling Organisation, the London-based arm of De Beers which controls about 80 per cent of the diamond market, yesterday announced record sales of rough diamonds for the first half of this year.

Sales rose to $2.32m, compared with the $2.2m in the 1988 first half, which was itself a record. Overall last year De Beers, the South African mining group, celebrated its centenary with sales of $4.17m, 36 per cent ahead of the previous record of $3.08bn in 1987.

However, a CSO official yesterday repeated a caution given in May by Mr Julian Ogilvie Thomson, chairman of De Beers, the South African mining group. He said that after four years of strong growth this year could be a year of consolidation.

The first quarter marked a strong revival in sales of both rough and polished diamonds. The upswing, which followed a quiet end to last year, prompted the second big price rise in under 12 months in March, when De Beers lifted its selling prices by 15.5 per cent – the biggest increase in recent years. It imposed a 13.5 per cent increase in May last year.

Since April the stronger dollar and the traditional mid-year slowdown in buying from the big cutting centres in India, Antwerp and Israel had brought a reduction in rough sales. The strong dollar and high interest rates had also slowed down demand for polished stones.

As a result the CSO said it was looking for a "far more modest second half." However, one analyst said yesterday that while the latest figures were a little below what the market had expected, they were still very good. He suggested that it would take a big slump in the second half to head the CSO off from another record year.

Brazil confident after coffee pact collapse

By John Barham in Sao Paulo

THE FREE market in coffee following the collapse of the International Coffee Agreement has raised doubts over the future of the Brazilian Coffee Institute (IBC), the government agency that closely regulates the sector.

Farmers and traders say that the absence of an international quota system strips the the institute of its key functions. Mr Bruno Angst, a coffee trader, said "we think the IBC will practically come to an end. There is no longer any need for government intervention, as in the past. Now the market will find its way."

Farmers and traders believe they will have no great difficulty in surviving in a deregulated coffee market following the demise of the International Coffee Agreement's economic clauses.

Last week, farmers and traders issued a joint declaration demanding that management of the IBC's buffer stock and the US$2.5m it has raised from auctions of export rights be transferred to a private body representing exporters and farmers.

The statement also called for private sector regulation of coffee exports. A committee would stipulate export taxes, which would be subject to a pre-established ceiling. Export registers would be open all year round. Domestic price controls would be lifted, but a minimum price to farmers would be indexed in line with inflation.

However, many farmers oppose the institute's closure. Mr Horacio Lopes, a Sao Paulo farmer, said "we need the IBC now more than ever to ease the pain of transition to a free market." He demanded that the Government reduce sales and export taxes to maintain the competitiveness of Brazilian coffee. However, producers, while confident that Brazil will retain its dominance of the world market, are resigned to an initial period of turbulence and falling prices.

Although coffee exports are no longer as crucial as they used to be to Brazil's economy the country remains the world's largest coffee exporter and holds 30 per cent of the international market.

The Government expects coffee exports to earn $2.bn, equivalent to only 7.4 per cent of exports this year. Mr Lopes said "Brazil will be able to live without the artificial prices created by the accord. There will be considerable pain in the short term and farmers will have to move to more productive regions of the country, but in the long term Brazil will remain competitive."

Other farmers and traders believe that Brazil's lower cost of production will force other marginal producers to reduce output or leave the market altogether, leading to a depletion of world stocks and increase in prices. Farmers will move production to new areas in Minas Gerais and Goias, where costs are lower.

Traders say the IBC has some 17m bags stocked, but hardly any of the coffee is of export quality. Mr Angst expects the 1989-90 harvest to bring in no more than 25m bags, providing no margin to add to stocks. The following 1990-91 harvest is being estimated at about 40m bags.

MEMBERS OF the New York coffee trade lashed out at Colombia, the world's second biggest producer, for Monday's collapse in coffee prices that stemmed from the International Coffee Organisation's failure to agree to an extension of the current global accord, reports Reuter.

"If Colombia hadn't created that additional situation of uncertainty and painted an illusion of hope, the market would never have taken such a beating," said one senior dealer at a leading London-based trade house.

"It wasn't the U.S. that called for the vote on July 3, it was the producers," he declared. "What was the point of keeping the misery alive for so long?" said another trader.

Near-record oil use forecast

By Steven Butler

WORLD OIL consumption this year is expected nearly to match the record set ten years ago, after which high prices prompted a worldwide conservation effort, the International Energy Agency said yesterday in its monthly Oil Market Report.

The Paris-based agency said oil consumption would reach 52m barrels a day this year, including a projected 4 per cent increase in the developing countries. In the developed countries of the Organisation for Economic Co-operation and Development consumption would rise by less than 2 per cent.

In the second quarter of the year, consumption by OECD countries rose by 2.7 per cent, according to preliminary estimates. This follows a first quarter increase of 1.8 per cent.

The London-based International Petroleum Exchange yesterday reported record trading volume in June. Total volume in all contracts broke through the 300,000 level for the first time, reaching 324,921 lots. The most active contract was in Brent Crude Oil, launched a year ago, at 161,232 lots. Volume in gas oil reached 148,230. Brent crude oil options, launched in May, reached a volume of 9,401.

The faster second quarter growth was attributed in part to low growth in the second quarter of 1988. Residual fuel oil consumption grew in North America because of maintenance shutdowns at several nuclear reactors. Crude oil consumption in the Pacific region rose by 4 per cent.

Although consumption as a whole is expected nearly to reach the 1979 record, in the OECD countries, this would be 4m b/d lower. The balance is made up by faster growth in the developing countries.

Oil production by members of the Organisation of Petroleum Exporting Countries continued to rise in June, reaching an estimated 21.3m b/d, 200,000 b/d above May. The increase was led by a 300,000 b/d rise in production by Iran, to 2.8m b/d, Saudi Arabia's production dropped from 5.0m b/d to 4.8m b/d.

Total stocks on land of the OECD countries are estimated to have risen to 454m tonnes, 3m tonnes higher than a year ago.

Tea without sympathy in Tanzania

Nicholas Woodsworth reports on the country's biggest producer

HIGH IN the misty hills of Tanzania's southern highlands, in an office overlooking 2,200 hectares of steeply sloping tea estates, is a graph that makes most visitors look twice.

Chalked in red onto a blackboard is a five-year curve of London auction tea prices. With a baseline of 100p per kilo, the curve starts high on the board at £3 a kilo in 1984, then begins a long slide downward. By the time it arrives at March, 1988, it has sunk below the baseline. By July, at 80p a kilo - lower in real terms than pre-war prices – the curve has left the board altogether and scored a thick red line on the room's cream-painted wall.

"That," indicates Malcolm Keeley, Brooke Bond Tanzania's chairman and managing director, "pretty well says it all."

What the graph does not show, however, is that despite historic lows for tea prices, Brooke Bond Tanzania has managed not only to survive but has recorded growth in production and profits while other Tanzanian tea growers have seen steady decline.

In 1977 the company's 3.9m-tonne production from the southern highlands Mufindi area represented 23 per cent of Tanzania's total tea crop. Ten years later, although national production had fallen by 25 per cent, BBT was producing a further 2m tonnes of tea annually and accounting for 40 per cent of the national total. And, most critical of all, despite the steep 1988 decline of prices on the London auction, the company's pre-tax profits rose marginally that year to £1.7m.

BBT's successes are all the more impressive when to the background of a depressed market are added the constraints of working in one of Africa's more restricted economies; although Tanzania is now into its third year of an IMF sponsored structural adjustment programme, it is still struggling with the legacy of almost two decades of economically disastrous socialist experiment.

An underdeveloped and badly maintained infrastructure, poor management, lack of input, rising production costs, an unmotivated workforce, and restrictions on the retention and remittance of foreign exchange profits are only some of the reasons for the decline of Tanzanian tea and other cash crop export industries.

The company's growth in the face of domestic and world market conditions is due to innovations in three areas: ecology, marketing and management.

Although Mufindi receives 1,500 mm of rain a year – a good average for tea growing – it is unevenly distributed and has in the past led to low yields per hectare. In the 1970s BBT launched a costly tea irrigation scheme, now the largest in the world. Today, 1,600 hectares of the company's 2,200 hectares are irrigated, and yields have risen to 2,600 kg a hectare, more than five times the national average.

A change in marketing strategy has also allowed BBT to maintain profit margins. In the past, up to 60 per cent of the company's production was sold on the London auction.

With the fall of that market from 1984 onwards, BBT began seeking the penetration of non-traditional export areas. Today 50 per cent of its production goes to Pakistan, a fast expanding market whose demands for high tea quality have obliged BBT to put emphasis on quality rather than quantity in its growth projections.

The company's greatest challenge, however, has come in reaching an accommodation with the Tanzanian Government on procedures for dividend remittance and foreign exchange retention, problems that affect most multinationals operating in Africa.

In 1976 the Government, in a tightening of socialist policies, suspended all remittances overseas; although foreign shareholders would have preferred to receive dividends from a backlog that eventually built up to £4m, BBT had little choice but to reinvest profits.

Brooke Bond was able partially to solve the problem in 1984 by promising the Tanzanian Government a five-year, £3m expansion and development programme, including the provision of local social services and infrastructure.

In return, the Government allowed partial remittance and a 50 per cent foreign exchange retention on profits from newly-planted hectares. Of the hard currency the company is permitted to retain (rather than convert to local currency with Tanzania's federal bank), 80 per cent may now be remitted as dividend while the remainder is spent on imported materials.

Getting hold of foreign exchange for import needs is one of the company's biggest problems, in theory, BBT can apply for and receive essential imports under Tanzania's recently-introduced Open General Licencing system. In practice, however, the system is less than perfect.

The list of goods allowed under the system is not all-embracing. Delays in processing applications and a 12-month lead-time shipping requirement can result in production bottlenecks. And, most worrying of all, there is no guarantee, when national foreign exchange reserves are low, that applications will be approved. Only by relying in 1983 on "programme aid" issued under bilateral balance of payments support, has BBT been able to assure itself of adequate foreign exchange financing.

In the long term, Brooke Bond's future in Tanzania looks promising. Unlike other major commodities such as coffee and cotton, tea has remained outside state marketing control. But it is not a protected enclave sector and like the few other multinationals present in the country, BBT is keeping an attentive eye on Tanzania's economic reform programme, now showing some signs of stress.

Only if the country continues with gradual devaluation and other measures of liberalisation agreed on with IMF, say company executives, will Brooke Bond be in a position to remain viable and competitive.

Strong outlook seen for sugar prices

By David Blackwell

THE OUTLOOK for sugar prices, now near 11-month highs, remains encouraging, according to the latest report onthe market from E.D. & F. Man, the London trade house.

Restricted supplies and escalating demand for white sugar have emerged against a background of very limited stocks, says the report.

"Whilst we are not suggesting that world market prices have the possibility of reaching the 1980 high of 43 cents (a lb), we feel that the prevailing set of circumstances could drive current values higher," it says.

The recent strong demand for white sugar was last week underlined by unexpected Soviet purchases of 150,000 tonnes.

Other white sugar buyers appear to be waiting in the wings, especially India, where production prospects have deteriorated sharply.

"Up to April this season's production was leading last year's, but the figures released for May show a turnround that would be unprecedented for any country other than India," says the report, which says the country could now face a domestic supply gap exceeding 1m tonnes.

With the possible exception of Far East raw sugar suppliers, the potential availability of world market sugars appears rather precarious.

The Brazilian position is particularly uncertain, with the sugar export programme's privatisation plans further complicated by competition for cane supplies from the sugar and alcohol sectors.

The export availability of countries such as the Dominican Republic, Guyana and several African producers has been reduced by labour disruptions and bad weather, says the report.

The price of whites has increased by about $100 a tonne over the past month, compared with a $60 rise for raws. The price of raw sugar has risen on the back of the surge in whites values, generating increased speculative activity.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices continued to fall on the LME – the three-month price closed below £1,500 a tonne for the first time since the beginning of October last year. The fall reflected the decline in the dollar against sterling, with traders fearing a slowdown in the US economy and a cut in interest rates. Also fuelling the trend was news that a tentative labour contract agreement had been reached between Asarco and the United Steelworkers of America. Current sentiment indicates the market is set to go lower during summer and most players are watching Comex for a breach of the psychological $1 a lb level in the September position, which would imply an eventual decline to 90 cents, analysts said. Gold prices rose sharply – the dollar's weakness was seen as the main impetus. "Gold has definitely broken out of its channel," one dealer said.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.00-8.10w	+.125
Brent Blend	$18.05-8.75	+0.08
W.T.I. (1 pm est)	$20.95-1.00w	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$212-214	+1
Gas Oil	$149-150	+1
Heavy Fuel Oil	$89-90	-1
Naphtha	$165-167	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$383.75	+7.50
Silver (per troy oz)♣	535c	+11
Platinum (per troy oz)	$507.15	+1.80
Palladium (per troy oz)	$154.85	-0.05
Aluminium (free market)	$1820	+25
Copper (US Producer)	$111\frac{1}{2}$-112c	
Lead (US Producer)	38.5c	
Nickel (free market)	560c	-25
Tin (Kuala Lumpur market)	26.38r	+0.06
Tin (New York)	463.25c	+4.25
Zinc (US Prime Western)	80$\frac{3}{4}$c	
Cattle (live weight)†	118.08p	+0.46*
Sheep (dead weight)†	177.47p	-2.48*
Pigs (live weight)†	80.64p	+3.35*
London daily sugar (raw)	$363.6x	+3.6
London daily sugar (white)	$469.8x	+7.8
Tate and Lyle export price	£342.5	+0.5
Barley (English feed)	£105.25z	
Maize (US No. 3 yellow)	£133.0	+1.5
Wheat (US Dark Northern)	£133	
Rubber (spot)♥	61.15p	
Rubber (Aug)♥	64.25p	
Rubber (Sep)♥	65.00p	
Rubber (KL RSS No 1 Jul)	257.5m	+1.0
Coconut oil (Philippines)§	$550t	
Palm Oil (Malaysian)§	$345w	+5
Copra (Philippines)§	$350y	
Soyabeans (US)	£207	-1
Cotton "A" index	80.1c	
Wooltops (64s Super)	622p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jun. w-Aug. z-Sep. u-Jun/Jul. x-Jul/Aug. t-Aug/Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg

COCOA £/tonne

	Close	Previous	High/Low	
Jul	811	820	822	812
Sep	832	843	843	831
Dec	886	898	900	885
Mar	876	886	886	875
May	887	898	892	886
Jul	902	915	906	900
Sep	914	927	925	914

Turnover: 3328 (1640) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Jun 30 1040.98 (1035.80) ;10 day average for Jul 3 1027.40 (1025.05)

COFFEE £/tonne

	Close	Previous	High/Low	
Jul	870	877	870	835
Sep	880	880	884	843
Nov	895	891	896	860
Jan	912	915	915	877
Mar	932	925	925	900
May	952	945	950	920
Jul	968	965	970	940

Turnover: 9393 (7187) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Jul 3: Comp. daily 89.35 (97.12) . 15 day average 93.07 (100.48)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	301.00	327.60	327.00	300.00
Oct	298.20	326.80	330.00	298.00
Dec	293.00	318.00	316.00	
Mar	283.00	309.20	311.00	283.00
May	282.20	305.80	307.00	281.80
Aug	279.00	299.60		
Oct	267.00	288.80	291.80	291.00
White	**Close**	**Previous**	**High/Low**	
Aug	440.00	462.00	462.00	438.00
Oct	399.50	423.50	423.50	
Dec	379.50	400.00	391.50	
Mar	361.50	384.50	383.00	
May	356.50	382.50	379.00	
Aug	358.30	362.00		
Oct	354.50	375.00	373.00	

Turnover: Raw 9361 (3439)lots of 50 tonnes. White 1006 (2058). Paris- White (FFr per tonne): Aug 2685 Oct 2620, Dec 2480, Mar 2430, May 2425, Aug 2420, Oct 2320

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Aug	18.04	17.96	18.20	17.94
Sep	17.59	17.47	17.65	17.40
Oct	17.24	17.12	17.24	17.17
Nov	17.08	16.91		
IPE Index	17.93	17.75		

Turnover: 7373 (4831)

GAS OIL $/tonne

	Close	Previous	High/Low	
Jul	147.75	146.75	148.25	146.50
Aug	148.50	148.00	149.25	147.00
Sep	149.50	148.00	150.25	148.25
Oct	151.00	150.75	151.50	150.00
Nov	152.75	151.75	152.50	151.75
Dec	153.75	152.75	153.50	153.25

Turnover 5041 (3447)lots of 100 tonnes

WOOL

The Australian wool corporation announced on June 30 that it would leave its overall reserve price unchanged for the forthcoming 89/90 selling season. This indicates as cautious an approach to the price and demand outlook as is possible. Previously a rise from the present 870 cent basis to 900 cents was indicated as a possibility. Playing a part in the decision to hold to 870 were forecasts of a substantial rise in wool production, and troubles in China which could limit demand from one of the most important new customers. Holidays and the absence of any test of wool values mean that prices show little or no change.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 6,500 tonne
Cash	1610-5	1790-5	1820/1810	1816-20		
3 months	1778-80	1770-5	1790/1777	1788-90	1778-80	
Copper, Grade A (£ per tonne)						Ring turnover 27,725 tonne
Cash	1494-6	1536-8	1530/1495	1528-9		
3 months	1479-80	1516-6.5	1516/1475	1508-9	1475-8	
Lead (£ per tonne)						Ring turnover 7,325 tonne
Cash	420-0.5	424-6	420/415	415.5-6		
3 months	403-4	406-9	406/403	404.5-5.5	403-4	
Nickel ($ per tonne)						Ring turnover 1,398 tonne
Cash	12200-300	12300-50	12300/12175	12150-200		
3 months	11410-25	11525-60	11550/11400	11390-410	11400-50	
Tin ($ per tonne)						Ring turnover 735 tonne
Cash	10050-60	10000-20		10015-20		
3 months	10020-30	9975-80	10020/9985	9980-10000	10000-15	
Zinc, Special High Grade ($ per tonne)						Ring turnover 7,550 tonne
Cash	1655-65	1625-35	1670	1665-70		
3 months	1571-3	1535-60	1587/1580	1580-5	1580-5	
Zinc ($ per tonne)						Ring turnover 7,725 tonne
Cash	1610-20	1590-600		1625-30		
3 months	1510-20	1490-500	1515/1490	1525-30	1516-20	

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	107.0	115.0	108.0	105.0
Feb	127.0	130.0		
Apr	177.5	187.0	189.0	174.0
May	197.0	208.0	195.0	

Turnover 818 (763) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Aug	161.00	158.50		
Oct	156.50	151.00	155.00	161.00
Dec	153.50	148.50	148.00	

Turnover 46 (36)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Jul	1375	1385	1362	1372
Aug	1410	1410	1415	1405
Oct	1507	1500	1505	
Jan	1550	1540	1550	1545
Apr	1580	1585		
BFI	1401	1413		

Turnover 104 (100)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Sep	105.85	105.85	
Nov	108.80	109.00	108.80
Jan	112.45	112.65	112.45
Mar	115.45	115.60	
May	118.80	119.10	118.80

Barley	Close	Previous	High/Low	
Sep	104.10	104.20	104.10	104.00
Nov	108.10	108.10	108.10	108.00
Jan	111.65	111.60	111.65	
Mar	114.25	114.20	114.25	

Turnover: Wheat 53 (88). Barley 59 (55). Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	112.0	112.0	111.5
Oct	117.0	118.8	116.5
Nov	117.6	117.2	
Feb	110.5	109.3	109.5

Turnover 20 (10) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	383$\frac{1}{2}$-384	238$\frac{1}{4}$-239$\frac{1}{4}$
Opening	379-379$\frac{1}{2}$	236$\frac{1}{2}$-237
Morning fix	378.4	236.426
Afternoon fix	383.6	238.854
Day's high	384$\frac{1}{2}$-385	
Day's low	377$\frac{1}{4}$-378$\frac{1}{4}$	

Coins	$ price	£ equivalent
Mapleleaf	395-400	246-249
Britannia	395-400	246-249
US Eagle	395-400	246-249
Angel	393-398	243-245
Krugerrand	382-385	238-240
New Sov.	90$\frac{1}{4}$-91$\frac{1}{4}$	56$\frac{1}{4}$-57
Old Sov.	90$\frac{1}{4}$-91$\frac{1}{4}$	56$\frac{1}{4}$-57
Noble Plat	510.05-518.5	318.8-328.9

Silver fix	p/fine oz	US cts equiv
Spot	329.10	526.00
3 months	341.00	538.55
6 months	352.45	550.05
12 months	375.15	573.20

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1700	118	107	27	44
1800	54	57	69	91
1900	22	27	135	156
Copper (Grade A)	**Calls**		**Puts**	
2250	173	159	48	82
2350	114	109	87	129
2450	70	72	142	188

LONDON FOX TRADED OPTIONS

Coffee	Sep	Nov	Sep	Nov
850	70	156	41	111
900	48	134	67	139
950	29	114	100	169
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
800	45	105	14	20
850	19	73	38	39
900	8	48	75	63

US MARKETS

The precious metals markets featured heavy speculative, fund and trade buying which elected buy stops to rally prices across the board in response to a sharply lower US dollar, reports Drexel Burnham Lambert. Copper, too, rallied with a combination of arbitrage and trade buying. A strike in the North sea coupled with the weaker US dollar saw crude oil futures rally, pulling the products higher as crack spreads weakened. Coffee opened lower then rallied sharply on speculative and arbitrage buying. Sugar opened higher as the market penetrated overhead resistance, but then collapsed as trade profittaking at the highs prompted massive long-liquidaton with declines extended as the market penetrated significant support levels. Cocoa was featureless, closing roughly unchanged. Cotton was mixed with commission house selling balanced by trade buying. Orange juice featured trade selling in the spot July contract, but commission house buying in the forward contracts. The grains closed sharply higher to limit-up across the board as concern continued over hot, dry weather in the mid-west US. Pork belly futures closed limit-down as the market continued to reflect the recent bearish pig crop report. Prices fell with massive long-liquidation. Live hogs and cattle futures initially fell with spill-over selling from the bellies, but concern over higher feed costs rallied prices back as traders covered short positions.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	386.0	379.4	386.5	381.0
Aug	388.4	381.1	390.8	381.5
Sep	390.6	383.1	0	0
Oct	392.5	385.0	396.0	386.5
Dec	396.7	389.1	399.5	0
Feb	400.9	393.2	403.0	393.8
Apr	405.1	397.3	406.2	405.0
Jun	409.3	401.4	409.0	408.0
Aug	413.5	405.6	414.0	413.2

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	539.3	523.0	541.0	523.0
Aug	542.8	526.6	0	0
Sep	547.5	531.5	549.5	531.0
Dec	560.2	543.3	562.5	543.5
Jan	563.8	547.1	0	0
Mar	571.8	554.8	572.5	555.0
May	579.9	562.8	0	0
Jul	588.5	571.1	584.0	583.0
Sep	597.1	579.4	0	0
Dec	609.2	591.2	606.0	606.0

INDICES

REUTERS (Base: September 18 1931 = 100)

July 4	July 3	mnth ago	yr ago
1993.4	2021.6	1982.2	2020.9

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	-	132.92	131.78	-
Futures	-	130.61	131.66	-

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	511.6	495.9	513.0	504.0
Oct	517.0	501.2	520.0	510.0
Jan	518.5	503.0	518.5	511.0
Apr	522.0	506.5	521.5	521.5
Jul	525.7	510.2	520.0	520.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	102.10	101.00	103.10	102.00
Aug	101.30	100.70	0	0
Sep	100.80	100.45	102.80	100.80
Dec	99.30	98.95	101.00	99.30

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	20.86	20.27	21.07	20.92
Sep	20.03	10.50	20.12	19.75
Oct	19.38	18.95	19.44	19.14
Nov	18.97	18.58	10.01	18.78
Dec	18.57	18.31	18.71	18.47
Jan	18.46	18.12	18.49	18.26
Feb	18.31	17.97	18.31	18.10
Mar	18.17	117.86	18.10	18.05
Apr	18.00	17.75	18.00	18.00
May	18.00	17.66	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	5105	4988	5140	5055
Sep	5155	5034	5180	5105
Oct	5220	5103	5235	5180
Nov	5290	5172	5305	5240
Jan	5375	5244	5375	5330

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1220	1222	1224	1224
Sep	1243	1241	1256	1231
Dec	1282	1279	1292	1272
Mar	1295	1290	1330	1284
May	1304	1300	1306	1294
Jul	1313	1315	0	0
Sep	1339	1335	1337	1329

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	100.00	97.88	0	94.50
Sep	97.82	93.84	98.50	92.00
Dec	99.54	99.50	100.10	93.65
Mar	101.28	101.79	101.70	97.00
May	103.00	104.50	103.00	99.00
Jul	104.00	104.00	102.00	101.50
Sep	104.25	105.00	0	0
Dec	102.50	99.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	13.48	14.47	14.70	13.30
Jan	12.90	13.40	0	0
Mar	12.68	13.65	13.78	12.60
May	12.95	13.46	13.60	12.95
Jul	12.77	13.27	13.48	13.41
Oct	12.48	12.96	13.16	12.48

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	68.63	67.90	68.65	68.20
Oct	71.55	71.23	71.65	71.05
Dec	71.95	71.67	72.17	71.40
Mar	72.80	72.30	72.80	72.16
Jul	73.45	73.10	73.45	73.10

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	179.75	181.75	181.60	179.00
Sep	171.60	171.25	174.50	170.50
Nov	156.50	156.50	158.00	155.25
Jan	154.00	153.20	155.00	153.05
Mar	153.40	152.60	153.50	152.50
May	152.80	152.10	153.10	153.10
Jul	152.80	152.10	0	0
Sep	152.80	152.10	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	770/4	740/4	777/0	751/0
Aug	744/4	714/4	744/4	736/0
Sep	715/4	683/4	715/4	709/0
Nov	702/0	672/0	702/0	697/0
Jan	708/6	678/6	708/6	705/0
Mar	717/0	687/0	717/0	712/0
May	721/4	691/4	721/4	716/0
Jul	720/4	690/4	720/4	717/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	21.89	21.06	22.10	21.65
Aug	22.03	21.35	22.25	21.80
Sep	22.31	21.60	22.50	22.06
Oct	22.52	21.72	22.70	22.30
Dec	22.90	22.22	23.09	22.65
Jan	23.00	22.25	23.15	22.80
Mar	23.30	22.55	23.50	23.10
May	23.40	22.65	23.35	23.46

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	229.7	218.2	230.0	225.0
Aug	222.6	212.6	222.6	220.0
Sep	217.7	207.7	217.7	216.0
Oct	214.0	204.0	214.0	212.0
Dec	212.2	202.2	212.2	209.5
Jan	210.0	200.0	210.0	210.0
Mar	210.2	200.2	210.2	210.2
May	208.2	198.2	208.2	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	285/6	272/0	284/0	278/6
Sep	272/6	262/6	272/6	272/6
Dec	271/4	261/4	271/4	271/4
Mar	277/6	267/6	277/6	277/4
May	279/0	269/0	279/0	279/0
Jul	279/0	269/0	279/0	279/0
Sep	266/0	256/0	266/0	261/0
Dec	258/0	248/0	258/0	239/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	404/0	394/4	405/0	396/0
Sep	411/4	402/2	412/0	406/4
Dec	423/6	414/2	425/0	419/0
Mar	425/4	416/4	427/0	421/4
May	411/4	404/0	412/0	407/0
Jul	375/0	370/0	378/0	371/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	70.60	69.52	70.67	69.12
Sep	71.25	70.55	71.25	0
Oct	73.72	72.70	73.75	72.25
Dec	73.20	72.10	73.40	71.97
Feb	72.22	71.10	72.35	71.00
Apr	73.02	72.00	73.20	72.10
Jun	71.95	70.67	72.00	71.25
Aug	70.70	69.57	70.70	0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	47.15	47.17	47.60	46.77
Aug	44.42	45.92	45.00	44.42
Oct	40.62	42.05	40.85	40.55
Dec	43.15	43.67	43.50	42.50
Feb	44.97	45.20	45.20	44.20
Apr	42.60	42.80	42.85	41.80
Jun	47.62	47.10	47.75	46.55
Jul	46.50	47.35	48.50	47.00

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	31.85	33.85	31.85	31.85
Aug	31.45	33.45	31.45	31.45
Feb	47.75	49.75	47.75	47.75
Mar	47.17	49.17	47.17	47.17
Jul	48.00	49.00	48.50	47.80
Aug	47.00	49.00	47.00	47.00

LONDON STOCK EXCHANGE

Weaker dollar leaves equities lower

THE SHARP fall in the US dollar took the shine off the international blue chip stocks in London yesterday, reversing the recovery in the equity market seen at the beginning of this week. However, turnover was restricted by another one-day strike by British railway workers which, together with a similar stoppage by London Underground staff, served to curtail attendance by office workers in the City of London.

The equity market opened lower, with trading volumes severely cut back both by the absence of an overnight lead from New York, which had been closed for Independence Day, and also by the many absences from London offices caused by the local transport strike. Share volumes in the first two hours were far below normal levels.

The market tried to struggle back towards overnight levels, encouraged by new terms from Hanson for Consolidated Gold Fields, which put a £3.5bn price tag on the mining and industrial group, as well as by renewed assessment of the GEC/Siemens/Plessey situation following a statement from Plessey; the market took the view that a renewed joint bid for Plessey is again in prospect despite recent speculation that it might be called off.

However, equities soon abandoned an attempt to move into plus territory and turned increasingly nervous as the weak dollar signalled nervousness ahead of tomorrow's data on US employment. Some transatlantic sources suggested that the data might provide further evidence of the slowdown in the US economy which has already unsettled UK markets.

The firmness in sterling, while encouraging optimism over domestic interest rates, was seen as merely a reflection of the fall in the dollar, and had little positive effect.

In the second half of the session, when Wall Street came in with an early sharp fall, London dipped away to close at the low of the day. The FT-SE Index ended at 2,152.9, a fall on the session of 11.5 points. Seaq volume of 347.4m was struck early as the market closed down at 4.00pm because of London's transport difficulties; on Tuesday, Seaq volume totalled 373.2m at 5.00pm.

Outside the special situations, of which there were a number, genuine investment interest was low yesterday. Market indices were hard hit by setbacks in the international stocks, where concern over the outlook for the petroleum industry provided added discouragement.

Market analysts were doubtful of identifying any shift in trend behind yesterday's downturn in UK equities. Turnover has been low this week, and although trading desks were fully staffed yesterday, some fund management staffs dealt with the local transport problems by electing to remain at home.

Account Dealing Dates

First Dealings:	Jun 19	Jul 3	Jul 17
Option Declarations:	Jun 29	Jul 13	Jul 27
Last Dealings:	Jun 30	Jul 14	Jul 28
Account Day:	Jul 10	Jul 24	Aug 7

*New time dealings may take place from 8.00 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Jul 5	Jul 4	Jul 3	Jun 30	Jun 29	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	85.72	85.74	85.47	85.01	85.03	88.08	89.29 (6/2)	83.75 (14/3)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.52	96.62	96.33	96.27	95.94	97.42	98.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1798.0	1800.3	1791.8	1784.5	1809.6	1494.3	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	189.1	185.5	185.2	186.4	188.2	214.7	189.1 (5/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.47	4.46	4.48	4.50	4.43	4.49				
Earning Yld %(full)	10.52	10.49	10.53	10.57	10.43	11.42				
P/E Ratio(Net)(*)	11.47	11.50	11.46	11.41	11.57	10.66				
SEAQ Bargains(5pm)	19,615	22,879	25,078	27,760	25,931	26,340				
Equity Turnover(£m)†	-	1118.90	1115.86	1349.05	1485.67	1252.30				
Equity Bargains†	-	26,145	28,677	31,514	28,437	28,074				
Shares Traded (mil)†	-	383.0	435.1	512.2	458.6	419.5				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1798.7	1799.2	1800.7	1802.8	1802.6	1804.5	1798.7	1798.8

DAY'S HIGH 1805.8 DAY'S LOW 1795.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. Nil 11.36 †Excluding intra-market business. *Based on 4.00pm prices

S.E. ACTIVITY

Indices	Jul 4	Jul 3
Gilt Edged Bargains	91.5	85.2
Equity Bargains	169.4	155.9
Equity Value	2261.6	2254.4
5-Day average		
Gilt Edged Bargains	94.3	101.3
Equity Bargains	186.4	189.1
Equity Value	2562.5	2629.8

London Report and latest Share Index: Tel. 0898 123001

Another Plessey chapter

The long-drawn out GEC/Siemens/Plessey saga took another dramatic twist yesterday as Plessey disclosed that it had withdrawn from talks on the possible sale to GEC of its 50 per cent stake in GPT, the telecommunications venture held jointly with GEC. The announcement inspired a strong recovery in Plessey shares as the market interpreted the news as an indication that GEC/Siemens would shortly renew their joint bid for the UK defence and telecoms group.

Analysts confessed that they were confused by the latest developments: "The sharp rise in Plessey shares tells you this came as a complete surprise; it's difficult to see why Plessey withdrew at the eleventh hour." The analyst went on to say that an adjustment in GEC's plan, to include Plessey's naval division in the deal, was "not a reason for Plessey to pull out of the deal. It seems an emotional rather than a reasonable response." More ominously he said "They [Plessey] will now be taken over unless the Ministry of Defence conditions are onerous."

Another researcher said the aborted deal on GPT, which included a price of £325m for the GPT stake, "Ups the ante for Plessey with the whole business now looking to be worth nearer 295p a share than the 275p level which has been widely talked of." Plessey shares touched 254p on the news, before coming off the top to close a net 11 higher at 252p on turnover of 5.8m. GEC were much quieter, holding at 254p on 2.9m.

End of saga

The increased and agreed £3.5bn bid for Consolidated Gold Fields from Hanson, disclosed after the close of the market on Tuesday, was a disappointment to market speculators although a gain in Hanson shares indicated appreciation for the group's tactics. Shares in Gold Fields fell 25 to 1465p, reflecting the market's valuation of the new Hanson terms at around 1480p rather than the 1530p suggested by Gold Fields. Recent buyers of Gold Fields had been hoping for a near-cash offer of around £15 a share, and some for £17.

The debate lay over valuation of the Hanson warrants to subscribe for new Hanson shares. However, few market specialists expect any further development in the bid situation and those who hoped for higher terms are likely to remain disappointed.

Turnover in Gold Fields was thin, with fewer than 1m shares changing hands yesterday. The big institutions, including those in North America, still hold the positions taken up during the aborted Minorco bid and recent trading has been limited to professional and speculative investors.

ICI caution

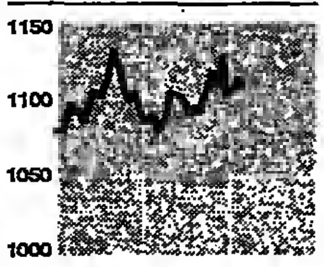
Warnings on the state of the petrochemicals industry from agency broker James Capel and in the press pushed ICI lower at the opening. Volume was a brisk 2.4m shares, particularly good on such a quiet day, as the stock shed 22 at one point before closing 15 off at 1245p. The share's weakness was exacerbated by sterling's strength, which made the stock look expensive in New York.

Mr David Ingles, analyst at James Capel, said he had seen evidence of price weakness in petrochemicals and plastics, especially in the last six weeks. He said this "would encourage negative sentiment towards ICI in the short term." He added, however, that speculative trade in petrochemicals added to their price volatility and he is not changing his forecast or recommendation to investors until there is stronger evidence of a hard landing in the economy.

Scottish advances

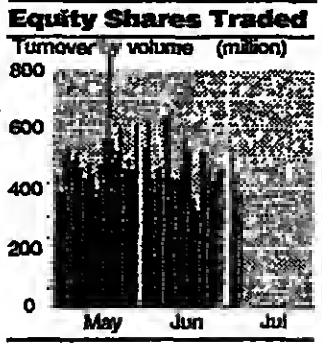
Scottish & Newcastle (S&N) shares changed direction rapidly yesterday as the market reappraised the corporate plan announced on Tuesday, taking the view that this may represent only Phase One of a restructuring away from hotels and towards leisure, retailing and brewing operations. First appraisals of the proposal to sell Thistle Hotels, and purchase of 65 per cent of Center Parcs as well as the outstanding 50 per cent of Pontins, the UK holiday camp operation, had been interpreted as rendering the S&N group less vulnerable to a takeover approach, but such views were revalued yesterday.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Researchers Mr John Spicer and Mr Philip Morrisey of Kleinwort Benson expect further developments in the near future, especially after Lord Young has finally ruled on the outcome of MMC inquiry. "The share price over the next few months will therefore be dominated by rumours of what Thistle Hotels may fetch, what the money will be spent on and what Elders will do with its stake," says the Kleinwort duo.

Yesterday's turnaround in *S&N shares appeared to catch* marketmakers on the wrong foot. Intra-market activity was sizeable and helped swell turnover but there was also genuine investment interest. Volume eventually reached 3.8m shares, leaving the price up 9 at 341p.

International stocks were hit by the strength of sterling with the usual US favourites showing double figure losses. Among them, Glaxo lost 14 to 1361p and Reuters slipped 11 to 767p both in relatively good turnovers of around 1m shares.

Glaxo was also hurt by an item in a US newspaper suggesting that Merck, the world's biggest drugs company, would challenge Glaxo as number one in Europe.

An early bear squeeze protected Beecham from the lack of US interest until the last hour of trade. The stock touched 557p before closing a *net 3 off at 548p*.

The clearing banks were pressurised late in the day after dealers noted some sizeable trades thought to have been part of a programme trade.

The insurance sector was again highlighted by strong buying of Sun Life, thought to have been on behalf of French insurance group UAP. The latter's last declared stake was 20.2 per cent and dealers reckon this has been increased by at least 1m shares during recent days. At the close Sun Life were another 20 higher at a year's best of 1093p.

With the exception of Scottish & Newcastle, brewers recorded few notable changes ahead of the further discussions with the DTI today. Lord Young is reportedly determined to decide on the fate of the brewers by the time the House of Commons goes into recess at the end of July. BZW advice to switch holdings from Bass, a touch easier at 1005p, into one of the spirit stocks put Macallan-Glenlivet up 10 to 485p.

A handful of features in the building arena included Blue Circle, which jumped 14 to 529p on turnover of 2.7m after news of the disposal of its Mexico associate company Empresas Tolteca de Mexico.

Hickson International were 6 firmer at 278p as the analysts *trip to the company's Italian operations continued.*

The GEC/Siemens/Plessey stories continued to have a strong effect on the Ferranti share price. In recent days it has bobbed up and down as the likihood of bids from Plessey for Ferranti, and for Plessey from GEC/Siemens, ebbed and flowed.

Ferranti initially edged ahead to 91p, as Tuesday's massive 30m shares turnover continued to prompt market stories of a possible move against Ferranti by Plessey. News that Plessey has backed off from the GPT deal saw sellers move in and Ferranti fell back to close 2 down at 88p. Dealers were surprised at Ferranti's resilience in the face of the Plessey/GEC news; "they should have collapsed, to nearer 70p than 80p on a fundamental basis, which tends to lead me to think that there could be something going on," said one.

Analysts were perplexed by the latest high volumes in Ferranti with one taking the view that the company would be "very expensive to acquire with the additional difficulties posed by what are now viewed as highly important national security requirements." There were also vague hints in the market that the big turnover just may have been a stake-building exercise - British Aerospace was one name bandied around by sector specialists as a possible predator.

The Racal twins came in for another bout of selling pressure after reports that McCaw, the US cellular radio group where British Telecom has a 22 per cent stake, is considering reducing its $120 a share bid for LIN Broadcasting, another cellular company, because of doubts over LIN's options on certain US cellular franchises.

Racal Telecom, giving a buffeting last week after the Government's proposal for increased competition in mobile telephones, dropped 23 to 373p on turnover of 1.2m while parent company Racal Electronic, dipped 14 to 421p on 4.4m.

Amstrad edged up to 86p before settling a net 2 higher at 84p after a Press report that a merger with Dixons, the retailing group, could be on the cards. Bennett & Fountain, another electrical gooda retailer, jumped 8 to 95p.

A lump of 2.5m British Airways shares changed bands, but marketmakers were hard pressed to explain the transfer. "It must be an agency cross," said one. Airways weakened 2 with the market to close at 204p and 3.2m shares eventually ticked up on Seaq.

Hanson firmed another 2 to 217p on further consideration of its agreed bid for Consolidated Gold Fields. "Hanson is going to make so mnch money," admired one dealer. Turnover was a bnsy 7.1m shares.

AAH Holdings posted full year profits 22 per cent better at £30m and climbed to 414p before settling back by the close to 412p, a net rise of 3.

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (61). [illegible] ELECTRICALS (6) Acorn Comp., [illegible] Microsystems, Druck, Fujitsu, Molynx, Pelon, VG Inds., ENGINEERING (1) Vickers, FOODS (4) INDUSTRIALS (23) Alexandra Workwear, BM/EC Inds., Barrett (Henry), Brooks Service, Cape Inds., EIS, Eastern Prod., Grafton, Halma, Handley-Walker, Hanson, Do. 10pc Ln., Do. 6¾pc Pf., Norfolk House, Rank Org., Ropner, Do. "A", Securiguard, Stm. Sus. Syltone, Unilever, Wyko, YRM, INSURANCE (2) Allianz, Sun Life, NEWSPAPERS (1) Home Counties, PAPERS (2) ME Research, Yellowhammer, PROPERTY (7) Arlington Sec., BHH, Bredero [illegible] NEW LOWS (22). BANKS (1) First Nat. Fin., CHEMICALS (1) Cambridge Isotope Labs., STORES (1) Gabicci, ELECTRICALS (2) Circaprint, Radius, Ross, ENGINEERING (1) Lee (Arthur), FOODS (1) Hughes Food, INDUSTRIALS (4) Bodycote Intl., Myson, Oakwood, Third Mile Inv., MOTORS (1) Trinoco 11½pc 1996, PAPERS (2) Monotype, Wace, Mackay-Lewis, TEXTILES (2) Aldes Bros., Lowe (Rob. H.), TRUSTS (1) GPG, OILS (1) Int. Pet., MINES (2) Bond, McFinley Red Lake, THIRD MARKET (1) Scott Pickford.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.00pm

Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Brit. & Comm.	498	165	-3
Brit. Aerospace	1,000	685	-5
British Airways	2,950	204	-1½
British Gas	5,400	194½	-2
British Land	2,180	398	-1
BP	2,600	295	-4½
British Steel	23,000	73	-1
British Telecom	3,340	251	-½
Burmah Oil	430	622	-9
Burton	1,000	229	-1
Cable & Wireless	2,500	497	-8
Cadbury Schweppes	2,700	364	+1
Carlton Comms	368	813	-1
Commercial Union	1,700	363	-1
Cons. Gold Fields	989	1465	-23
GRE	661	709	+1
GKN	994	397	-3
Guinness	659	506	-3
Hammerson "A"	706	786	-8
Hanson	5,925	217	+2
Harrisons & Cros.	1,520	164	
Hawker Siddeley	507	706	-4
Hillsdown Hldgs	2,300	273	-1
IMI	1,000	229	-1
Imp. Chem.	2,400	1245	-15
Inchcape	1,000	266	+1
Jaguar	152	347	-1
Kingfisher	643	311	+1
Ladbroke	652	291	-2
Land Securities	1,000	562	-9
Pilkington	1,535	232	+1
Plessey	5,300	252	+11
Polly Peck Intl	928	288	-1
Prudential	2,500	177	+½
RHM	912	467	+2
RMC	43	762	-5
RTZ	3,900	496	+3
Racal	4,050	414	-21
Rank Org.	274	1031	-3
Reckitt & Colman	208	1127	+9
Redland	464	586	-1
Reed International	410	410	-4
Reuters	987	767	-11
Rolls Royce	2,700	193½	
Rothmans	520	565	-5
Tarmac	2,400	[illegible]	[illegible]
Tate & Lyle	1,400	[illegible]	+4
Taylor Woodrow	1,000	[illegible]	[illegible]
Tesco	460	[illegible]	-1
THORN EMI	290	756	-1
Trafalgar House	299	[illegible]	-4
Trusthouse Forte	406	[illegible]	-1
Ultramar	290	[illegible]	-5
Unilever	1,350	[illegible]	[illegible]
United Biscuits	1,630	[illegible]	[illegible]
Utd Newspapers	268	[illegible]	[illegible]
Wellcome	383	[illegible]	-5
Whitbread "A"	441	[illegible]	-1
Williams Hldgs	400	[illegible]	[illegible]
Woolworth	405	[illegible]	[illegible]

The shadow of a possible downgrading continued to hang over Lucas Industries, thwarting any recovery in the shares at 630p.

Rothmans International weakened when talk developed of the group being ready to buy Gold Fields SA when the Hanson bid for Cons Gold is ratified. The shares dropped to 560p before rallying to 565p, a loss of 5 on the session.

BAT Industries, on the other hand, rose 5 to 655p on views that the Hanson/Cons Gold news would boost its status as a takeover stock.

Tozer Kemsley & Millbourn *moved up several gears on stories* that Sir Ron Brierley, who controls some 60 per cent of the equity, intended to bid for the outstanding shares. Tozer is easily the most successful of Sir Ron's UK vehicles and its shares have attracted persistent attention of late. Yesterday they soared 8 to 128p.

FKB, the advertising agency, became unsettled awaiting today's preliminary figures and closed 7 down at 330p.

Special situations among property stocks again took the honours from the leaders, most of whicb lost ground. The search continued for the identity of the company which has approached Arlington Securities (up 13 more at 273p) but the market was unable to come with any names other than BAA and British Aerospace.

The reccurrence of takeover speculation boosted Imry Merchant Developers to 544p before a close of 8 up on balance at 534p. Clarke Nickolls & Coombs were good at 217p, up 7, while London & Metropolitan rose 6 to 178p. Bredero improved further in a restricted market to end 15 higher at 330p.

The big oil stocks, relatively good performers early in the session, as crude oil prices continued to respond to industrial action on the North Sea oil rigs, came under coocerted pressure during the afternoon on selling thougbt to bave been triggered by worries over downward pressure on European bulk chemicals prices. Shell and BP were especially hit, the latter sliding to close 4½ cheaper at 295p and the former 10 to 416p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 22

APPOINTMENTS

Marketing director at Rockware

■ **Mr Tony Baden Fuller** has been appointed group director of marketing at ROCKWARE. He joins from *Metal Closures* where he was marketing director (designate). **Mr Alistair McLachlan** becomes managing diretor of the new central division. He was managing director of Coca Cola Bottles (Scotland and Northern).

■ **Mr Hugh Langhland** has been appointed chairman of STODDARD SEKERS INTERNATIONAL. Formerly joint chief executive of BTR's European region, he will remain associated with that company as a non-executive director.

■ **Mr Jamie Ball** has been appointed vice president and managing director, and **Mr Graeme Treasure** assistant vice president and associate director of FBS CAPITAL MARKETS, London, a subsidiary of First Bank System, Minneapolis.

■ **Mr Dennis Carey** has been appointed executive deputy chairman of STAKS HOLDINGS. He was chief executive of Borthwicks. Joining as non-executive directors are: **Mr Stanley Carslake** (retired divisional general manager, Barclays Bank); **Mr Ian Hogg** (representing Leisure Investments (Securities)); and **Mr James Dudgeon** (representing Ireland Yard Investments).

UNITED PRECISION INDUSTRIES has made the following appointments at RHP Bearings. Mr Ray Hammond *(left)* becomes managing director of industrial bearings, the largest division. He was group manufacturing director, and continues on the UPI main board. Mr Peter Wheeldon *(right)* has been made deputy managing director of the division, responsible for sales, marketing and distribution. He was sales director. Joining the industrial bearings management board are: Mr Ken Bray, manufacturing director, Newark - he was manager; Mr Ken Reynolds, logistics director - he was material flow manager; and Mr Charles Ward, manufacturing director, Ferrybridge and Blackburn - he was manager, Ferrybridge.

■ **Mr Nigel Wiggins** has been appointed managing director of LANGBOURN PROPERTY INVESTMENT SERVICES, a subsidiary of the Kleinwort Benson Group. **Mr Derek Brown** and **Mr Ian Campbell** have been appointed directors. All were previously with Kleinwort-Benson Investment Management, as was **Mr Glenn Newson** who has also moved to Langbourn.

■ EVEREST has appointed **Mr Chris Holmes**, head of personnel, to the board.

■ **Mr David Herbert** has joined BARING BROTHERS & CO as an assistant director.

Private Bank names board

■ The following have been appointed to the board of a new company, THE PRIVATE BANK & TRUST COMPANY.

The Earl of Harrowby, lately a deputy chairman of National Westminster Bank, and of Coutts, becomes chairman. Non-executive directors are: **Mr Paul Borrett**, chairman of Baronsmead; **Mrs Anne Marie Louise Latsis, Dr Spiro Latsis, Mr Derk Pelly**, lately deputy chairman, Barclays Bank; and **Emeritus Professor Basil Yamey**, a managing trustee of The Institute of Economic Affairs. In addition to **Mr Chris Ball**, chief executive, and **Mr Leonard Kingshott**, executive director, banking, who are both on the board, the members of the executive committee are: **Mr Rodney Fetzer**, director, treasury, who joins from D.C. Gardner & Co, where he was director, capital markets and treasury; **Mr Wadih Hanna**, director, personal banking, who comes from Bank of Nova Scotia, where he was West End branch manager; **Mr Mark Harrison**, director, information services, previously a managing consultant with the financial services practice of Coopers & Lybrand; and **Mr Anthony Marshall**, director, finance and control, who was financial director and company secretary, Swiss Bank Corporation International, London.

BUSINESS LAW

The commercial risks of consumer terrorism

By Alan Fisher and Michael Cover

What started as a US problem with cases sucb as Tylenol in the early 1980s has now become an international concern.

A company faced with a sustained product tampering campaign either inspired by terrorist objectives or by base greed, finds itself on the horns of a dilemma. Very often the ransom demanded to buy out the threat is relatively small in comparison to the value which the company will place on the goodwill attaching to its established brands.

The crime itself is obviously a matter for the police, but it is believed that more than one public company has paid substantial sums (sometimes via its insurance carriers) in order to meet the extortionist's demands. There are, however, also commercial and potential civil liability problems confronting the company in such situations.

It will not be long before the English courts see product liability claims based upon the failure of manufacturers to provida "tamper-proof" or "tamper-evident" packaging. Making a product tamper-proof is an illusion. Tamper-evident packaging, on the other hand, is a technical possibility. The concept involves providing a form of packaging which will *show if the product has* been interfered with since the point of manufacture.

Nearly all the recent cases seem to have been examples of post-manufacturer tampering. The development of supermarkets and other forms of modern merchandising may well have assisted the consumer terrorist. Most retailing security systems are designed to prevent a thief from getting out with the goods without paying, rather than stopping someone bringing contaminated products into the sales area.

Whether or not a legal liability can be established on the ground of failure to implement the latest state of the art tamper-proof or tamper-evident packaging has yet to be tested in the courts. The law of negligence is flexible enough to accommodate such a cause of action, although the victim will often have a perfectly good right of action under contract against the retailer because of the implied obligation that the product should be fit for its purpose.

In addition to those traditional remedies, the Consumer Protection Act 1987 has revolutionised the law by providing a cause of action in respect of unsafe goods founded on strict liability, which is not dependent on contract or negligence.

It will be some years before we have any case law to assist in the interpretation of the Act, but there seems no doubt that the definition of a "product" is wide enough to include the packaging. Whether or not the packaging is regarded as defective will depend on the test of "consumer expectation." If the standard of the packaging is not "such as persons generally are entitled to expect," there clearly could be liability under the Act.

But it is likely to be commercial pressures rather than legal considerations which accelerate the introduction of tamper-proof or tamper-evident packaging. If there is no way of telling whether a product has been tampered with after the first case of contamination has been reported, the manufacturer faces the prospect of a very expensive product recall campaign.

Tamper-evident packaging can provide a degree of customer assurance that the product has not been interfered with, thus saving the costs of product recall.

There have been examples of the contamination taking place within the manufacturer's own production facilities. Obviously, there is no way in which even the highest standard of packaging can cope with this threat. All that the manufacturer can do is to insist upon rigorous quality control and testing to ensure that any internal product tampering is detected as quickly as possible.

This will also minimise the risk to food manufacturers of prosecution under the Food Act. Food retailers currently can take advantage of the warranty from the manufacturer but one of the proposals being considered in the current review of the Food Act is to place the same burden on retailers as on manufacturers to ensure their systems are satisfactory to prevent tampering.

The terrorist's lever is that as soon as one or two examples of contamination are detected they receive wide-spread publicity. The consumer's brand loyalty to the product and possibly to other products of the same manufacturer evaporates overnight.

The heavy cost of product recall, coupled with the inability to earn furtber revenue from the brand until the threat has been removad and consumer confidence re-established, presents a real problem for the earning ability of the manufacturing company.

Loss of profits or business interruption insurance does not help, because this is generally tied to the loss of turnover resulting from the destruction of some material asset, such as a factory or warehouse. What businessmen must look for is prodnct extortion insurance and product tamper insurance.

A product extortion policy can be used to obtain protection against the cost of having to pay the ransom demand and against the cost of product recall and associated expenses. However, it does not protect the business against loss of income as a result of the reduction in turnover.

Product tamper insurance can provide protection in respect of the loss of profits resulting from "an ascertainable reduction in monthly sales, and of revenues generated by the product line which has been the subject of product contamination."

Usually, those companies which seek to purchase this form of insurance do so on an annual basis and the insurance will make up their loss of net of profit as calculated by an independent chartered accountant or by a loss adjuster. The policy will provide an indemnity period of anything between 6 months and 2 years.

Experience in the US suggests that even though the immediate effect of product tamper can be a big overnight drop in sales, sales levels can generally be restored within a comparatively sbort period, provided the crisis is properly managed. An indemnity period of 12 months should be adequate for most products.

Even witb prodoct tamper insurance in place, the manufacturer may still face a severe financial loss.

It is rapidly becoming tha practice for companies to put the value of their brands on the balance sheet. If a company has seen fit to place a valuation on its brands and to disclose that figure on its balance sheet, there will be an understandable tendency on the part of investors to regard any threat to the value of those brands caused by even a temporary reduction in consumer loyalty as a result of product tampering, as having a direct effect on the company's investment value and, conseqently, upon the company's sbare price.

At present there is no available insurance product on the market to protect a manufacturing company against the devaluation of its brands due to product tampering. Unlike other fixed assets, brands on the balance sheet will therefore be unprotected.

The first line of dcfence against product tampering is proper pre-planning witb regard both to packaging design, and to production line and point of sale security.

Well thought out risk management and insurance protections together witb a crisis management plan are essential.

Effective media relations are also vital and can, in many circumstances, minimise the damage, particularly where reassurance can be given to the consumer by drawing attention to the effective product recall arrangements and tbe anti-tamper packaging design of the product. The basic objective should be to compartmentalise the threat so that the company's other products are not also affected by the fear of contamination. Indeed, it should also be remembered that sometimes there will not be any actual tampering at all, but damage may be caused by rumours about a product's safety.

Consumer terrorism or product tampering has now become sufficiently commonplace for it to be regarded as a foreseeable risk to all manufacturers, particularly in tbe food trade. Legal and commercial imperatives dictate that the problem must be addressed at the manufacturing stage by the introduction of state of the art anti-tamper measures. Insurance can only be seen as the backstop.

The authors are partners in the City solicitors Davies Arnold Cooper.

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AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained at last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Commbl & Equity	5	63.04	65.79	69.98	----	6.83
European	5	68.43	68.83	73.22	----	0.09
Far Eastern	5	60.55	60.72xd	64.60	+0.55	0.66
Growth Inc	5	88.58	92.26	98.15	----	1.41
Growth Acc	5	88.88	92.26	98.15	----	1.41
Income Inc	5	83.49	85.40	90.84	----	4.70
Income Acc	5	83.49	85.40	90.84	----	4.70
Property Share	5	54.71	54.71	58.32	----	0.99
Smaller Co's	5	58.87	62.14	66.10	----	1.45
Nth American	5	62.20	62.20xd	66.52	----	1.40
International	6	47.84	47.84xd	51.16	----	1.43
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	108.79	108.79xd	113.79	----	4.18
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	65.34	65.56xd	70.06	+0.11	2.60
YUTM UK Eqty Inc Tst	5¼	60.39	62.58	66.57	+0.04	4.51
YUTM Intl Gwth Tst	5¼	50.63	50.63	54.04	-0.09	1.01

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Expt June 7	485.3	503.8	----	-
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund June 30		518.35	----	4.73
Fxd Int Sec June 30		138.65	----	10.31
Deposit June 30		100.00	----	13.05
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS 01-280 2800				
C'inco Inc June 28	163.2	167.3xd	+1.20	9.90
C'inco Acc June 28	669.6	686.6xd	+5.10	9.90
C'share Inc June 28	152.9	158.6xd	+0.40	3.74
C'share Acc June 28	168.0	174.3xd	+5.70	3.74
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income June 30		493.06	----	5.01
Accum June 30		1644.04	----	-
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American July 5	142.5	146.4	-6.9	1.35

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Pac Basin Fd Acc	168.2	177.0	+0.7	-
Property	568.5	598.5	----	-
Mtple Inv Pens Acc	1447.4	1523.6	-2.5	-
Broker Funds				
Prof. Pen. Fd	97.3	102.4	----	-
YRA Strategy	118.7	124.9	+0.2	-
Laughton Dollar (SF)	139.5	146.8	+0.5	-
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	282.0	296.8	+0.1	-
Equity Acc	859.5	904.8	+1.5	-
Property Acc	501.8	528.5	----	-
Far East Acc	203.0	213.7	+0.9	-
European Acc	23.6	24.9	----	-
Managed Acc	677.8	713.5	+0.8	-
Managed Cap	384.1	404.4	+0.5	-
O'seas Earnings Acc	572.4	601.5	+2.3	-
Gilt Edged Acc	312.4	320.9	+0.9	-
American Equity Acc	457.1	481.2	-2.7	-
American Man Acc	212.3	223.4	-1.3	-
American Prop Acc	147.4	155.2	-1.1	-
Pen. F.I. Dep. Cap	288.8	304.1	----	-
Pen. F.I. Dep. Acc	495.9	522.1	+0.2	-
Pen. Prop. Cap	587.6	618.6	----	-
Pen. Prop. Acc	1114.6	1173.3	----	-
Pen. Man. Cap	827.8	871.4	-1.0	-
Pen. Man. Acc	1568.5	1651.1	-1.6	-
Pen Gilt Edg. Cap	314.6	331.2	+0.8	-
Pen. Gilt Edg. Acc	487.6	513.3	+1.4	-
Pen. Eq. Cap	1356.8	1428.3	-1.6	-
Pen. Eq. Acc	1948.6	2051.2	-2.1	-
Pen. Am. Eq Cap	148.8	156.7	-1.2	-
Pen. Am. Eq Acc	180.2	189.7	-1.4	-
Pen. Far East Cap	243.8	256.7	+1.3	-
Pen. Far East Acc	295.2	310.8	+1.7	-
Pen. Euro Cap	27.3	28.8	-0.2	-
Pen. Euro. Acc	29.8	31.4	-0.2	-
Pen. B.S. Acc	544.0	571.3	+0.3	-
Pen. B.S. Cap	325.8	342.1	+0.1	-
Pen. O.A.F. Acc	380.9	380.9	+0.2	-
Pen. O.A.F. Cap	256.0	256.0	----	-
Pen. Mortgage Cap	146.3	154.0	+0.5	-
Pen. Mortgage Acc	177.0	186.4	+0.1	-
Baring Funds				
Pen Eqs Cap	28.7	30.3	-0.1	-
Pen Eqs Acc	30.0	31.6	-0.1	-
Pen Am Eq Cap	32.5	34.2	-0.2	-
Pen Am Eq Acc	33.7	35.5	-0.3	-

INSURANCES

Continued on next page

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	Bid Price	Offer Price	+ or –	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	129.0	136.8	-1.0	–
Building Soc. Fd.	171.0	180.0	----	–
Balanced	285.0	300.0	----	–
European	179.0	189.0	-1.0	–
GT Managed	176.0	186.0	----	–
Gartmore Mngd.	117.0	124.0	----	–
German	128.0	135.0	----	–
Gilt	182.0	192.0	+1.0	–
Global	48.0	51.0	----	–
High Inc.	122.0	129.0	----	–
International Equity	197.0	208.0	-1.0	–
Japan	241.0	254.0	+1.0	–
Managed	63.0	67.8	----	–
Property	283.0	298.0	----	–
R. W. Imperial Gold	149.0	157.0	----	–
UK Equity	364.0	384.0	----	–
Pension Funds				
American	154.0	163.0	----	–
Building Soc. Fd.	172.0	182.0	----	–
Balanced	220.0	232.0	----	–
European	179.8	189.0	----	–
German	113.0	119.0	----	–
Gilt	154.0	163.0	----	–
International Equity	144.0	152.0	----	–
Japan	138.0	146.0	----	–
Managed	65.0	69.0	----	–
Property	218.0	230.0	----	–
UK Equity	330.0	348.0	----	–
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd.	595.4	627.4	+0.4	–
Adventurous Mngd.	127.3	134.2	-0.1	–

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
[illegible]	98	[illegible] 10pc 1989	99xd	—	—	13.18
[illegible]	98	[illegible] 11pc 1989	99⅛	—	[illegible]	11.84
[illegible]	95⅝	[illegible] 5pc 1986-89	98⅛	+⅛	[illegible]	12.84
99½	98⅛	[illegible] 10½pcCv '89	99	-⅛	[illegible]	12.25
[illegible]	[illegible]	[illegible] 13pc 1990‡‡	100⅛xd	-⅛	[illegible]	9.98
[illegible]	[illegible]	[illegible] 2pc IL '90(84.6)	138⅛xd	-⅛	11.16	12.81
[illegible]	[illegible]	[illegible] 11pc 1990‡‡	99⅛	+⅛	[illegible]	12.71
101	99⅛	[illegible] 12½pc 1990	99½	—	[illegible]	10.75
[illegible]	91⅛	Treas. 3pc 1990	96⅛	—	[illegible]	12.58
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	96¼xd	-⅛	[illegible]	11.96
[illegible]	[illegible]	Treas. 8pc Cv 1990 ‡‡	97⅛	—	[illegible]	12.39
[illegible]	96⅛	[illegible] 10pcCv 1990	91⅛	—	[illegible]	9.55
91	87	[illegible] 2½pc 1990	99⅛xd	-⅛	11.81	12.11
101⅛	98⅛	Treas 11⅛pc 1991	91⅛	+⅛	6.25	10.89
92⅜	89⅞	Funding 5¾pc '87-91‡‡	88⅛	+⅛	3.37	9.66
89⅛	86⅛	Treas. 3pc 1991	96⅛xd	+⅛	10.35	11.91
100⅛	95⅛	Treas 10pc Cv '91 ‡‡	98⅛	—	11.16	11.70
102⅛	97⅛	Exch. 11pc 1991	92⅛	+⅛	8.65	11.65
94⅛	91⅛	Treas. 8pc 1991	102⅛xd	-⅛	12.36	11.28
106⅛	102⅛	Treas 12¾pc 1992‡‡	96⅛	—	10.31	11.33
99½	95⅛	Treas 10pc 1992	92⅛	-⅛	8.68	11.33
94⅛	91	Treas. 8pc 1992 ‡‡	98⅛	—	10.70	11.26
100⅛	96⅛	Treas 10½pc Cv 1992‡‡	83½	-⅛	3.59	9.50
85⅛	82¼	Treas. 3pc 1992	102⅛	-⅛	11.93	11.20
105⅛	101⅛	Exch. 12¼pc '92	106	-⅛	12.72	11.12
[illegible]	104⅛	Exch 13½pc 1992	91⅛	-⅛	8.80	11.04
94⅛	90⅛	Treas 8¼pc 1993	97⅛	-⅛	10.[illegible]	10.81
[illegible]	95⅛	Treas 10pc 1993‡‡	104⅛xd	-⅛	11.[illegible]	10.90
[illegible]	103⅛	Treas 12½pc 1993‡‡	85⅛	-⅛	7.[illegible]	10.29
87⅛	84⅛	Funding 6pc 1993‡‡	109⅛	-⅛	[illegible]	10.85
113⅛	108⅛	Treas 13¾pc 1993‡‡	91⅛	-⅛	9.[illegible]	10.80
[illegible]	89⅛	Treas. 8½pc 1994	115⅛	-⅛	12.[illegible]	10.61
[illegible]	112⅛	Treas 14½pc 1994‡‡	109⅛	-⅛	[illegible]	10.87
[illegible]	107⅛	Exch 13½pc 1994	97⅛	-⅛	[illegible]	10.65
[illegible]	95⅛	Treas. 10pc Ln. 1994‡‡	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
110⅛	104⅞	Exch. 12¼pc 1994	106⅛	-⅛	11.[illegible]	10.86
[illegible]	91⅛	Treas 9pc 1994‡‡	93⅛	-⅛	9.[illegible]	10.64
[illegible]	102⅛	Treas 12pc 1995	104⅛xd	-⅛	11.[illegible]	10.82
79⅛	74½	Exch 3pc Gas 90-95	75½	-⅛	3.[illegible]	8.40
101⅛	95⅛	Exch. 10¼pc 1995	97⅛xd	-⅛	10.[illegible]	10.71
[illegible]	107⅛	Treas 12¾pc 1995‡‡	109⅛	-⅛	11.[illegible]	10.61
[illegible]	112⅛	Treas. 14pc '96	114½xd	-⅛	11.[illegible]	10.79
97⅛	91⅛	Treas 9pc 1992-96‡‡	95⅛	-⅛	9.[illegible]	10.39
[illegible]	119⅛	Treas 15¼pc 1996‡‡	121⅛	-⅛	12.[illegible]	10.70
[illegible]	110	Exch 13¼pc 1996‡‡	112⅛	-⅛	[illegible]	10.65

BRITISH FUNDS—Contd

Over Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
59¾	55⅛	Funding 3½pc '99-04	57¼xd	+⅛	6.13	8.65
102½	94¼	Conversion 9½pc 2004	97⅝	.....	9.71	9.77
103⅞	94½	Conversion 9½pc 2005	97½	.....	9.69	9.79
111⅜	102⅝	Exch. 10½pc 2005	105⅞	-⅛	9.90	9.73
125¾	115⅛	Treas. 12½pc 2003-05	118¾	-⅛	10.49	9.95
90¾	82¾	Treas. 8pc 2002-06‡‡	86⅜	-⅛	9.28	9.65
105⅞	97⅛	Conversion 9¾pc 2006	100⅛	+⅛	9.68	9.66
118⅞	109¾	Treas. 11¾pc 2003-07	113xd	-⅛	10.38	9.95
96⅞	87⅞	Treas 8½pc 2007 ‡‡	91½xd	-⅛	9.28	9.48
134⅝	123⅞	Treas. 13½pc '04-08	127⅞	.....	10.57	9.87
101⅛	92⅜	Treas. 9pc 2008 ‡‡	99⅛	-⅛	9.37	9.44
92⅜	84⅛	Treas 8pc 2009	87⅛	-⅛	9.14	9.38
102⅝	93⅞	Conv 9pc Ln 2011 ‡‡	96⅝xd	+⅛	9.28	9.32
68⅞	62⅛	Treas. 5½pc 2008-12‡‡	65⅛	+⅛	8.45	9.13
89⅞	82⅛	Treas. 7¾pc 2012-15‡‡	85⅛xd	+⅛	9.11	9.27
132⅜	121⅛	Exch. 12pc '13-'17	125⅛	-⅛	[illegible]	9.34

Undated

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
45⅞	41½	Consols 4pc	42¾xd	+⅛	9.34	–
40⅛	36⅞	War Loan 3½pc‡‡	38⅛	+⅛	9.18	–
70⅛	60⅜	Conv. 3½pc '61 Aft	65⅛	+⅛	5.33	–
41⅛	31⅞	Treas. 3pc '66 Aft	34⅝	+⅛	8.66	–
30⅛	26	Consols 2½pc	27⅛xd	+⅛	9.24	–
29½	25⅛	Treas. 2½pc	26⅛	+⅛	9.32	–

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or –	(1)	(2)
109	103⅞	Tr. 2pc '92‡‡(97.8)	109	+⅛	2.89	3.87
103⅞	94⅛	Do. 2' 94 (102.9)	100⅜	+⅛	3.13	3.66
147⅞	139⅝	Do. 2pc '96(67.9)	147⅜	+⅛	3.28	3.64
125⅛	118⅞	Do 2½pc '01(78.3)	125⅝	+⅛	3.97	3.72
123⅛	115⅛	Do. 2½pc '03(78.8)	125⅛	+⅛	3.52	3.79
125⅛	117⅛	Do. 2pc '06(69.5)	125⅛	+⅛	3.56	3.74
117⅛	110⅛	Do. 2½pc '09(78.8)	117⅛	+⅛	3.59	3.72
125⅛	114⅛	Do. 2½pc '11(79.6)	122⅛	+⅛	3.55	3.71
102⅛	95⅛	Do. 2½pc '13(89.2)	102⅛	+⅛	3.53	3.68
110⅛	101⅛	Do. 2½pc '16(81.6)	110⅛	+⅛	3.50	3.64
108⅛	100⅛	Do. 2½pc '20(83.0)	107⅛	+⅛	3.45	3.58
91⅛	84⅛	Do. 2½pc '24‡‡(97.7)	91¼xd	+⅛	3.40	3.52

Prospective real redemption rate us projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing. (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for October 1988. 109.5 and for May 1989: 115.0.

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

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AMERICANS – Contd

1989 High	Low	Stock	Price $	+ or −	Div Gross	C'vr	Y'ld Gr's
597p	278p	Cullinet Sftwr 1c	551p	.....	–	–	–
27½	21¾	Dana Corp. $1	25¾	.....	$1.60	–	4.0
12	854p	Data General	11	.....	–	–	–
38	28¾	Dun & Bradstreet $1	36⅝	.....	$2.00	–	3.5
41¼	30½	Eaton Corpn. 50c	38	.....	h$2.00	–	3.3
13⅝	8⅞	Echlin Inc.	10½	.....	70c	–	4.2
20⅝	16⅜	FPL Group 1c	19½	.....	$2.28	–	7.4
32⅞	27⅝	Ford Motor $1	30⅝	.....	$3.00	–	6.2
45⅝	30⅞	GATX 62½c	44	.....	$2.00	–	2.9
35¼	24¼	Gen. Elect. 63c	32⅜	.....	$1.64	–	3.2
568p	484p	General Host Corp $1	504p	.....	30c	–	3.8
39⅛	18¼	Gillette $1	25¼	.....	96c	–	2.4
987p	616p	Gt Am First Svgs Bk $1	796p	.....	60c	–	4.8
23⅝	16⅞	Greyhound $1½	20½	.....	$1.32	–	4.0
14¼	847p	Hasbro Inc 50c	13¼	.....	16c	–	0.8
49⅞	32¼	Honeywell $1½	46¼	.....	$2.10	–	2.9
21¼	13¼	Houston Inds.	20	.....	$2.96	–	9.4
70⅞	63¾	IBM Corpn $1¼	70	.....	$4.84	–	4.3
55p	45p	Image Storage/R.Sys.1c	55p	.....	–	–	–
28¼	18¼	Ingersoll-Rand $2	25⅞	.....	$1.20	–	2.9
33	22½	Lockheed Crpn. $1	30	.....	$1.60	–	3.4
22⅛	13⅞	Lone Star Inds $1	19¼	.....	$1.90	–	6.2
25	17½	Louisiana Land 15c	22⅜	.....	$1.00	–	2.8
17	11½	Lowe's 50c	16	.....	48c	–	1.9
25	15¼	Manuf. Hanover $1	23¼	.....	$3.28	–	8.9
20½	13¾	Merrill Lynch $1	10⅞	.....	$1.00	–	3.5
2253p	1910p	Molex Inc.	2046p	.....	3.2c	–	–
27⅞	18⅛	Morgan (JP) $2½	24¼	.....	$1.66	–	4.3
54½	36¼	NYNEX $1	50¼	.....	$4.36	–	5.5
24⅝	18¼	PHH Corp	22⅛	.....	$1.12	–	3.1
259p	218p	Pacific Agr	218p	−7	–	–	–
27¼	19	Pacificorp $3¼	25½	.....	$2.76	–	6.6
27	16⅞	Pacific Telesis 10c	25¼	.....	$1.88	–	4.7
22⅛	15¼	Pall Corp. 25c	19½	.....	48c	–	1.6
55⅝	39¾	Pennzoil 83 1/3c	49½	.....	$3.00	–	3.8
25½	17⅞	Premark Intl	25¼	.....	84c	–	2.3
42¼	28⅛	Quaker Oats $5	39⅞	.....	$1.20	–	1.9
32⅞	23½	Rep NY Corpn $5	30⅜	.....	$1.28	–	2.6
15⅛	11⅞	Rockwell Intl. $1	13⅞	.....	72c	–	3.3
35	21⅝	Southwestern Bell $1	32⅝	.....	$2.60	–	5.0
27⅞	17⅜	Sun Co. Inc. $1	23⅛	.....	$1.80	–	4.8
30¼	22⅞	TRW Inc. 62½c	27⅛	.....	$1.72	–	3.9
22¼	14⅛	TW Services $5	21⅛	.....	10c	–	0.3
36⅛	26¼	Tenneco $5	34⅞	.....	$3.04	–	5.6
35⅞	28	Texaco $6.25	32⅞	.....	4$3.00	–	5.9
28⅞	21⅛	Texas Instr. $1	24¼	.....	72c	–	1.8
117⅞	58⅝	Time Inc. $1	96⅞	.....	$1.00	–	0.7
18⅞	15⅞	TRINOVA Corp.	16½	.....	964c	–	2.5
24¼	16	USX $1	21⅝	.....	$1.40	–	4.1
164p	126p	Unilab	150p	−13	–	–	–
131⅞	22⅛	Utd. Technologies	12	.....	$1.60	–	1.2
158p	128p	Unitech Inc.	137p	−7	–	–	–
46⅞	31½	US West	43¼	.....	$3.76	–	5.4
35⅞	22⅝	Waste Management $1	32⅞	.....	48c	–	0.9
20⅛	13½	Whirlpool $1	19⅛	.....	$1.10	–	3.6
24⅛	16⅞	Whitman Corp	21⅞	.....	$1.02	–	1.0
36⅞	28⅛	Woolworth $3½	32⅞	.....	$1.88	–	3.7

CANADIANS

1989 High	Low	Stock	Price	+ or −	Div Gross	C'vr	Y'ld Gr's
168p	129p	ABM Gold Corp	157p	−1	–	–	–
25½p	4½p	Abbot Energy Corp	25p	.....	–	–	–
15¼	902p	Amer. Barrick Res.	15	.....	–	–	–
19½p	10½p	Armeno	11p	.....	–	–	–
344p	94p	Asiamerica Hldgs	321p	+4	–	–	–
33½p	8½p	Augmitto Expln	18p	+2	–	–	–
17⅛	12⅞	Bk Montreal	17¼	−⅛	$2.12	–	6.7
10⅞	655p	Bk Nova Scot.	931p	−1	92c	–	5.4
22	17	BCE	20¼	−¼	$2.44	–	6.4
848p	570p	Bow Valley	734p	−12	40c	–	3.0
16⅞	12¼	Brascan	15⅛	−⅛	88c	–	3.1
228p	144p	Breakwater Res.	162p	+4	10c	–	3.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

صحكذا من الاجل

LONDON SHARE SERVICE

INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference Dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar hits two-month low

US DEALERS returned from the Independence Day holiday and sold the dollar yesterday. The US currency was friendless, failing to bounce off a support level of around DM1.9100 and then falling through the important psychological point of DM1.9000.

The dollar is now moving back towards the trading range agreed between the Group of Seven main industrial nations, but it may be too early to say it has established a range below DM1.9000. Nevertheless this may be the implication of yesterday's move.

Trading volumes were thin, with London once again in the grip of an almost total public transport strike. This may have exaggerated the dollar's weakness.

Continuing the recent trend, the dollar's weakness began in the Far East. Speculative funds in Singapore were seen moving out of the dollar and into the D-Mark. Political problems in Japan, and interest rate differentials in favour of West Germany, make the D-Mark a more attractive currency than the yen at present. Concern in Europe that a strong D-Mark could put pressure on the European Monetary System prompted early morning intervention by the Bank of France, selling D-Marks against the franc. The franc finished firmer on the day.

There was no economic news to move the market. This concentrated attention on interest rate differentials, after last week's rise in rates in several European countries, and at a time of growing speculation the Federal Reserve is in the process of easing its monetary stance.

Fears that a slowdown in the US economy will turn into a recession later this year have encouraged the idea this week's meeting of the Federal Open Market Committee will result in a lower official target rate for Federal funds.

The mood of depression surrounding the dollar intensified as rumours spread that tomorrow's US employment data will show very little growth in non-farm employment. Forecasts for the rise in June non-farm payrolls are mainly in the region of 200,000, but it was suggested yesterday the figure could be less than April's gain of 101,000.

Speculation that weak employment data could be the herald of a recession and prompt lower US interest rates pushed the dollar down to a low of DM1.8870, before it closed in London at DM1.8905 - the lowest level for about two months - compared with DM1.9215 on Tuesday. The dollar also fell to Y138.90 from Y141.55; to SFr1.6200 from SFr1.6465; and to FFr6.4125 from FFr6.5225. According to the Bank of England the dollar's index fell to 70.0 from 70.9.

Lower West German short term rates - following a generous allocation of funds at the Bundesbank's securities repurchase agreement tander - helped support sterling. The pound rose to DM3.0625 from DM3.0500 and gained 3.20 cents to close at the day's high of $1.6195. Sterling also improved to Y225.00 from Y224.75; to SFr2.6225 from SFr2.6150; and to FFr10.3850 from FFr10.3550. The pound's index rose 0.6 to 91.8, the highest close since June 12.

£ IN NEW YORK

July 5	Latest	Previous Close
£ Spot	1.6230-1.6230	1.5770-1.5780
1 month	0.56-0.55pm	0.62-0.61pm
3 months	1.70-1.67pm	1.80-1.77pm
12 months	6.70-6.60pm	6.98-6.88pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 5	Previous
8.30 am	91.5	91.2
9.00 am	91.4	91.2
10.00 am	91.5	91.1
11.00 am	91.5	91.1
Noon	91.4	91.2
1.00 pm	91.4	91.2
2.00 pm	91.4	91.1
3.00 pm	91.6	91.1
4.00 pm	91.8	91.2

CURRENCY RATES

July 5	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	N/A	1.47605
U.S Dollar	7	N/A	1.08411
Canadian $	12.39	N/A	1.29205
Austrian Sch.	5	N/A	14.5835
Belgian Franc	7.75	N/A	43.3456
Danish Krone	7½	N/A	8.05063
Deutsche Mark	5.00	N/A	2.07066
Neth.Guilder	5.50	N/A	2.33410
French Franc	9½	N/A	7.02777
Italian Lira	13½	N/A	1498.62

Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for July 4

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.3456	+2.09	+0.94	±1.5424
Danish Krone	7.85212	8.05063	+2.53	+1.38	±1.6419
German D-Mark	2.05853	2.07066	+0.59	-0.56	±1.1019
French Franc	6.90403	7.02777	+1.79	+0.64	±1.3719
Dutch Guilder	2.31943	2.33410	+0.63	-0.52	±1.5019
Irish Punt	0.768411	0.776475	+1.11	-0.04	±1.6689
Italian Lira	1483.58	1498.62	+1.01	-0.14	±4.0815
Spanish Peseta	133.804	130.772	-2.27	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10; Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

West German bonds firmer

WEST GERMAN bond futures received a double boost in yesterday's Liffe market. A fall in West German money market rates and a strong performance by the D-Mark against the dollar both served to improve sentiment and push prices to a contract high. The September bond price opened at 95.50, up from 95.35 on Tuesday, and touched a high of 95.64 before closing at 95.55. Trading volume was quite respectable, with over 28,000 lots changing hands.

By contrast, short sterling deposits edged firmer in lacklustre trading, helped once again by a strong currency. The pound's improvement was largely at the expense of a weak dollar, but it served to reduce fears of a rise in base rates, and futures prices were marked up as a result. The September price opened at 86.17 and rose to 86.18 before closing at 86.14 against 86.09

US Treasury bond prices were lower in sympathy with a weaker dollar, as the latter lost ground on growing speculation that the US Federal Reserve may relax monetary conditions. Attention is now likely to focus on the release tomorrow of US employment data for June. In London the September bond price slipped to 96-31 from 97-14 at the opening and 97-18 on Tuesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
91	362	425	10	33
92	305	341	17	49
93	218	261	30	105
94	137	222	49	130
95	104	153	116	161
96	44	125	156	233
97	26	102	238	310

Estimated volume total, Calls 682 Puts 1728. Previous day's open int. Calls 12765 Puts 15470

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	706	721	8	33
92	511	541	13	53
94	325	411	27	123
96	157	256	59	204
98	57	155	159	303
100	21	111	323	423
102	8	45	510	557

Estimated volume total, Calls 0 Puts 100. Previous day's open int. Calls 2239 Puts 2905

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9400	167	184	12	37
9450	126	150	21	53
9500	90	119	35	72
9550	39	92	54	95
9600	39	70	84	123
9650	24	51	119	154
9700	15	37	160	190

Estimated volume total, Calls 2645 Puts 896. Previous day's open int. Calls 12843 Puts 12139

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6195	1.6136	1.6008	1.5820	1.5505

[illegible]-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.5922	1.5930	1.5842	1.5628
Dec	1.5710	1.5710	1.5640	1.5434
Mar	1.5500	1.5500	-	1.5262

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 51,164

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

UK rates lower

UK interest rates were a little lower yesterday, reflecting another strong performance by the pound. However, trading volume was reduced by the effects of strikes in the transport sector. Three-month interbank money was quoted at a little under 14 per cent from 14⅛-13⅞ per cent on Tuesday.

While traders are now more hopeful that the current level of base rates will prove to be the top, there is, as yet, little evidence to suggest that the authorities can justify an early reduction.

UK clearing bank base lending rate 14 per cent from May 24

Overnight money traded up to a high of 16 per cent, having touched a low of 13 per cent. The Bank of England forecast a shortage of around £950m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £655m. Exchequer transactions accounted for a further £130m while banks brought forward balances £35m below target. In addition, there was a rise in the note circulation of £120m.

The Bank offered an early round of assistance, which comprised sale and repurchase agreements on £554m of eligible bank bills at 13⅞ per cent, unwinding on July 12. There was no further help offered in the morning or afternoon. However, late assistance came to £65m, making a total of £619m.

In Frankfurt, the Bundesbank allocated DM40.6bn at its latest two-tranche sale and repurchase tender. This replaced two maturing facilities of DM34.1bn, thus adding a net DM6.5bn of liquidity. The move was seen as a direct attempt to drive the cost of short term money below the cost of emergency borrowing through the Lombard rate facility. To this end the Bank's actions were successful as call money slipped to 6.80-6.90 per cent from 6.9-7.0 per cent on Tuesday and compared with the Lombard rate at 7 per cent.

The new split tender comprised allocations of DM26.2bn for the 28-day facility at a fixed rate of 6.6 per cent, and DM14.5bn on a 42-day agreement at rates between 6.65 per cent and 7.10 per cent. The extra liquidity will allow commercial banks to increase their reserve holdings with the central bank. In addition, banks will be able to run down their liability through Lombard rate borrowings.

In New York, The US Federal Reserve took funds out of the market through matched 5-day sale and repurchase agreements. At the time, fed funds were quoted at 9¼ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 5) 3 months US dollars		6 months US Dollars	
bid 9¼	offer 9⅜	bid 8 13/16	offer 8 15/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime

Prime rate	11
Broker loan rate	10½-¾
Fed. funds	9¼
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	7.48	Three year	8.01
Two month	7.95	Four year	8.01
Three month	8.88	Five year	8.02
Six month	7.98	Seven year	8.12
One year	8.01	10-year	8.14
Two year	8.02	30-year	8.14

July 5	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.80-6.90	6.90-7.05	6.90-7.05	6.95-7.10	7.00-7.15	7.00
Paris	9½-9⅝	9⅛-9¼	9⅛-9¼	9⅛-9⅜	9⅛-9⅜	0.75
Zurich	6¾-7¼	7¼-7½	-	7⅛-7⅜	-	-
Amsterdam	6.81-6.93	6.96-7.06	-	7.03-7.13	-	-
Tokyo	5-5¼	5¼-5⅜	-	5 5/16-5 7/16	-	-
Milan	12¼-12½	12½-13	-	12½-13	-	-
Brussels	9.25	8¼-8⅜	-	8⅛-8⅜	-	-
Dublin	7⅝-7⅞	9⅜-9⅝	9¾-10	9⅞-10⅛	10⅛-10⅜	-

LONDON MONEY RATES

July 5	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	16	13 15/16	13 15/16	14	14	13 13/16
Interbank Bid	13	13¾	13 13/16	13⅞	13⅞	13 11/16
Sterling CDs	-	-	13⅞	13 13/16	13 13/16	13 11/16
Local Authority Deps.	13½	13⅝	13¾	13¾	13¾	13¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	13¾	13¾	13⅝	13⅝	-	-
Company Deposits	-	-	13 15/16	13 15/16	13 15/16	13¾
Finance House Deposits	-	-	13 15/16	14	14	13 15/16
Treasury Bills (Buy)	-	-	13 13/16	13 13/16	-	-
Bank Bills (Buy)	-	-	13 13/16	13½	13¼	-
Fine Trade Bills (Buy)	-	-	14⅛	14¼	13 13/16	-
Dollar CDs	-	-	9.35	9.15	8.90	8.80
SDR Linked Dep Offer	[illegible]					
SDR Linked Dep Bid	[illegible]					
ECU Linked Dep Offer	[illegible]					
ECU Linked Dep Bid	[illegible]					

Treasury Bills (sell); one-month 13 15/16 per cent; three months 13 13/16 per cent; Bank Bills (sell); one-month 13⅝ per cent; three months 13⅝ per cent. Treasury Bills: Average tender rate of discount 13.6226 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 30, 1989. Agreed rates for period July 26, 1989 to August 25, 1989, Scheme I: 14.90 p.c. Schemes II & III: 15.51 p.c. Reference rate for period June 1 to June 30, 1989, Scheme IV&V: 14.175 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from July 1, 1989: Bank Deposit Rates for sums at seven days notice 6 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11 per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9¼ per cent from December 1, 1989. Deposits withdrawn for cash 5 per cent.

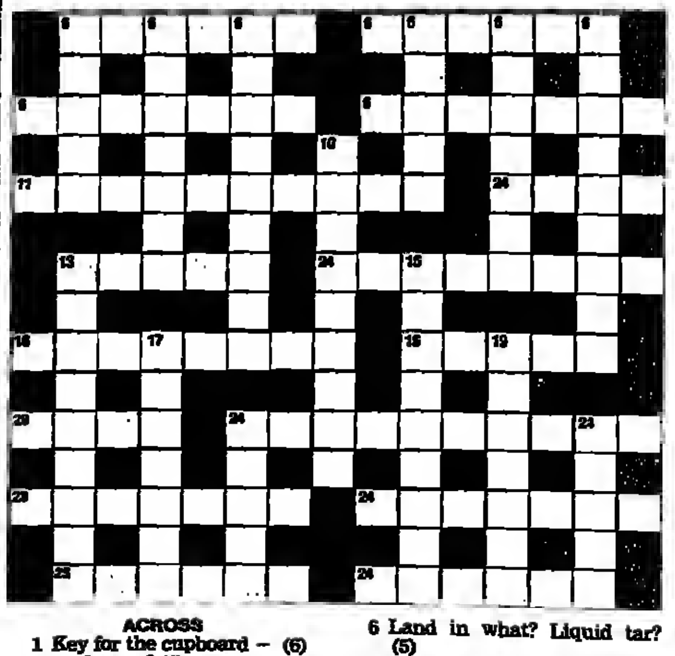
BASE LENDING RATES

[illegible]

JOTTER PAD

CROSSWORD

No.6,978 Set by GRIFFIN



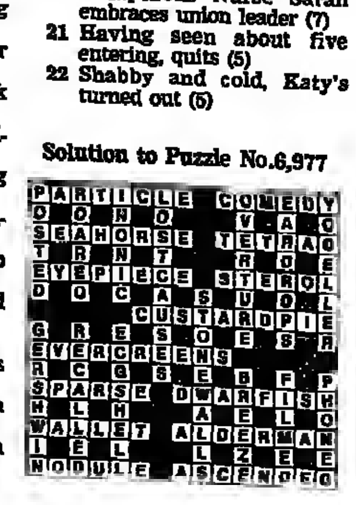
ACROSS

1 Key for the cupboard – (6)
4 – drawer? (8)
9 Material rejected isn't vulgar, admitted artist (7)
10 Entertainer mad at Sir Lawrence (7)
11 Below end hut near building (10)
12 Always gives vicar key back (4)
13 To enter small bottle tin-opener is essential (5)
14 Force me back as ship is abandoned (8)
16 Try pitch when renovating an altarpiece (8)
18 A pink satin first used for bloomers (5)
20 Stagger back with dirty look (4)
21 Meet a fine, well-dressed fellow in camp (10)
23 Deformed docker shuffling round job centre (7)
24 Stout aunt's travelling companion (7)
25 Otherwise pop back in to get pass (8)
26 Hat tax – about one pound (6)

DOWN

1 Pick up ale spilt by sailors (5)
2 Change net price without a struggle (7)
3 Always enter scramble with partner (9)
5 Land in what? Liquid tar? (5)
6 Monster swivel chair in which compiler sits (7)
7 Draws revolutionary oil tester (9)
10 Many take fish pie to be a temporary substitute (9)
13 They make up the personal column (9)
15 Deposed emir enters safe boundary (9)
17 Climbing frame a new pal will accept, therefore (7)
19 Voluptuous Nurse Sarah embraces union leader (7)
21 Having seen about five entering, quits (5)
22 Shabby and cold, Katy's turned out (5)

Solution to Puzzle No.6,977



WORLD STOCK MARKETS

AUSTRIA

July 5	Sch	+ or –
Austrian Airlines	2,110	–10
Creditanstalt	2,750	+40
Goesser	3,860	—
Interunfall	19,000	+470
Jungbunzlauer	15,370	—
Laenderbank	455	+5
Perlmooser	1,430	+20
Reininghaus	1,410	—
Semperit	240	+4
Steyr-Daimler	115	+2
Veitscher Mag	856	+2
Verbund	179	—

BELGIUM/LUXEMBOURG

July 5	Frs.	+ or –
Arbed	6,080	–20
B.B.L.	3,410	–20
Bank Intl. à Lux	15,400	+100
Banque Gen. Du Lux	14,500	—
Banque Nat. Belg	37,025	—
Bekaert B	14,225	—
Ciment CBR	6,770	+50
Cobepa	5,900	–10
Do. AFV 1	5,840	+40
Do. AFV 2	5,810	–60
Cockerill	374	+1
Colruyt	16,175	+50
Delhaize	5,800	–40
EBES	4,410	–95
Do. AFV 1	4,400	–100
Do. AFV 2	4,440	–10
Fabrique Nat.	784	+12
GIB Group	1,334	+4
Do. AFV	1,300	+8
GBL (Brux)L	4,590	+20
Do. AFV 1	4,530	—
Do. AFV 2	4,510	–20
Gechem	1,028	—
Do. AFV	998	+16
Generale Bank	6,150	—
Do. AFV 1	6,150	+40
Do. AFV 2	6,330	–160
Gevaert	8,350	+120
Hoboken	17,250	+100
Do. AFV	17,050	–75
Intercom	3,450	+20
Do. AFV 1	3,435	–40
Do. AFV 2	3,435	–40
Kredietbank	4,310	+10
Do. AFV	4,260	–30
Pan Holdings	14,400	–150
Petrofina	12,300	–200
Raffinerie Tirle	2,580	+180
Royale Belge	5,260	+10
Do. AFV 1	5,150	–30
Do. AFV 2	5,360	+10
Soc Gen Belge	3,087	—
Do. AFV	3,150	—
Sofina	12,550	–25
Solvay	14,400	–100
Stanwick Intl	180	+10
Tessenderlo	6,700	–60

FRANCE (continued)

July 5	Frs.	+ or –
Alsthom	590	–9
Arjomari-Prioux	2,525	+7
Auxiliaire d'Ent	925	–34
BIC	749	–9
BSN	701	—
Bancaire Cie	527	—
BNP (Cert. Inv.)	380	–1
Beghin-Say	682	+2
Do. Certs	440	+21
Bongrain	3,001	+6
Bouygues	710	—
CMB Packaging	675	–5
Carrefour	3,223	+65
Casino	200	–2
Cetelem	605	–14
Chargeurs	1,208	–19
Ciments Fr.	1,470	–9
Club Mediterranee	638	–2
Cofimeg	362	+0
Cogifi	360	–1
CGE	427	–3
Coparex	335	+13
Cred Foncier Fr	836	–4
Credit National	1,035	–13
Damart	3,050	+61
Docks de France	3,710	+142
Dollfuss-Mieg	540	+11
Dumez S.A.	988	–5
Eaux (Cie Gen)	1,978	–11
Ecco	550	+5
Electrofin're	1,012	–1
Elf-Aquitaine	530	—
Do. Certs	422	+5
Epeda-Bertrand	1,395	–16
Essilor	3,207	–23
Eternit (Fin.)	2,645	+5
Euraftance	1,620	+5
Eurocom	1,560	+30
Euromarche	2,725	–25
Exor	1,300	—
Finextel	202	+0
Fonciere Lyons	499	—
Fromageries	1,849	+31
GTM-Entrepose	1,480	+1
Gaumont (Soc 10	599	—
Gen Geophysique	795	+1
Gen. Occidentale	894	+11
Hachette	395	–4
Havas	939	–3
Imetal	351	–1
Immeubles de Fr	1,358	+38
Immobanque	725	+19
Industrielle	6,700	+260
Interbail	480	–4
Intertechnique	1,457	+2
LVMH	4,100	–10
Lafarge Coppee	1,615	–15
La Henin	557	–4
L'Oreal	4,050	–45
Legrand	3,885	–15
Locafrance	475	–5
Lyons. des Eaux	1,809	–18
Maisons Phenix	98	+0
Matra S.A.	357	+3
Merlin-Gerin	4,405	–40

GERMANY (continued)

July 5	Dm.	+ or –
Badenwerk	238	–2.5
Bayer	300.7	+1.5
Bayer-Hypo	421	–1
BMW	561.5	–6.5
Bayer-Verein	408	–5
Beiersdorf	548	—
Berliner Kraft	116.5	—
BHF-Bank	471	–5
Bilfinger & Berg	432	–16
Brown Boveri	468	–9.5
Colonia Versich	750	+5
Do. Pref.	665	–30
Commerzbank	265	+4
Continental AG	308.5	–3
DLW	355	–16
Daimler-Benz	703.5	–2.5
Deckel (Fr.)	198.1	–1.7
Degussa	476	–9
Deutsche Babcock	208.5	–4
Deutsche Bank	622	–7
Didier-Werke	266	–2
Degerwerk	290	+1
Dresdner Bank	340	+3
Fag Kugelfischer	300	–11
Feldmuehle Nobel	351.6	–0.4
Gerresheimer	245	–5
Goldschmidt (TH)	420	–4.5
Hamburg Elekt	188	+12
Hapag Lloyd	345	+4.5
Harpener	450.2	–2.8
Heidelberger Zem	720	—
Henkel Pref.	580	–11.5
Herlitz	260	—
Hochtief	877	–8
Hoechst	300	+1.3
Hoesch	239.5	–7
Holzmann (P)	975	–5
Horten	266	–4
Husel	614	—
Industriekredit	261	—
Industrie Werke	301	–14
Kali & Salz	277	–2.5
Karstadt	567	–8
Kaufhof	508	–5
KHD	195	–2.5
Kloeckner Werke	160	–5
Kraft Werke Rh	315	–1
Lahmeyer	880	–1
Leifheit	545	—
Linde	758	–16
Lufthansa	179	–5
Do. N/V Pref.	140	–3
MAN	317	–14
Do. Pref.	252	–10
Mannesmann	238.5	–7.5
Mannheimer Vers	745	—
Mercedes Hld	532	–14
Metallgesell	438	–2
Muench Rueck	2,500	—
Nixdorf	306	–1.5
PWA	317.5	–1.7
Phillips Kommun.	556	–2
Porsche	784.5	–0.5
Preussag	300	–12
Rheinelektra	1,640	—
Rhein West Elect	323	–10

CANADA

TORONTO
2pm prices July 5

INDICES

NEW YORK — DOW JONES

	July 3	June 30	June 29	June 28	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2452.77	2440.06	2458.27	2504.74	2531.87 (23/6)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	92.37	92.24	92.06	92.27	92.52 (14/6)	87.35 (23/3)	–	–
Transport	1164.46	1148.77	1152.98	1178.85	1192.59 (27/6)	959.95 (3/1)	1192.59 (27/6/89)	12.32 (8/7/32)
Utilities	210.07	209.70	209.34	211.30	211.77 (27/6)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2461.49 (2466.05) Low 2424.37 (2412.94)

STANDARD AND POOR'S	July 3	June 30	June 29	June 28	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	319.23	317.98	319.68	325.81	328.44 (27/6)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	364.82	363.48	365.70	372.92	375.71 (27/6)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	30.34	30.17	30.31	30.84	31.15 (27/6)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	178.51	177.90	178.75	181.87	183.18 (27/6)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	358.83	358.97	360.61	366.01	366.43 (27/6)	305.24 (3/1)	366.43 (27/6/89)	29.31 (9/12/72)
NASDAQ OTC Comp	436.00	435.29	437.91	444.90	453.65 (9/6)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Jun 30	Jun 23	Jun 16	year ago (approx.)
Dow Industrial Div. Yield	3.70	3.57	3.59	3.50

	June 28	June 21	June 14	year ago (approx.)
S & P Industrial div. yield	3.00	3.05	3.00	3.03
S & P Indl. P/E ratio	13.72	13.48	13.62	14.42

TRADING ACTIVITY † Volume (Millions)

	July 3	June 30	June 29
New York	68.931	170.490	169.942
Amex	4.946	10.731	13.599
OTC	55.203	137.103	142.033

NEW YORK	July 3	June 30	June 29
Issues Traded	1,870	1,968	1,968
Rises	747	637	263
Falls	593	894	1,317
Unchanged	530	437	388
New Highs	29	34	39
New Lows	18	35	33

CANADA

TORONTO	July 4	July 3	June 30	June 29	1989 High	1989 Low
Metals & Minerals	3263.3	(c)	3278.1	3263.2	3564.9 (6/2)	3207.5 (3/1)
Composite	3756.4	(c)	3761.0	3743.5	3806.1 (8/6)	3350.5 (6/1)
MONTREAL Portfolio	1892.34	(c)	1893.02	1892.04	1948.46 (9/6)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Western Union	996,300	1⅛	—
AT&T	920,200	34⅝	– ⅞
Kroger	863,900	15⅝	+ ⅝
Phillips Pet	713,200	22⅝	+ ⅛
Paramount Comm	697,800	60¼	+ 1
IBM	612,800	112¼	+ ⅜
Thiokol Cp	596,500	13⅛	—
Pacific Telecom (ind)	594,100	40	+ ¼
Mom Corp	558,800	9¼	+ ½
Marion Labs	552,800	24	+ ½

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 5	July 4	July 3	June 30	1989 High	1989 Low
AUSTRALIA All Ordinaries (1/1/80)	1513.4	1504.6	1501.2	1521.1	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	685.4	680.8	681.3	690.6	727.0 (26/1)	652.6 (7/4)
AUSTRIA Credit Aktien (30/12/84)	355.14	353.89	352.23	348.97	366.67 (21/6)	219.5 (2/1)
BELGIUM Brussels SE (1/1/80)	6153.56	6167.26	6158.43	6098.25	6167.26 (4/7)	5519.30 (4/1)
DENMARK Copenhagen SE (3/1/83)	344.22	340.35	340.12	341.51	344.22 (5/7)	275.49 (27/2)
FINLAND Unitas General (1975)	765.3	768.5	773.6	779.3	815.8 (18/4)	723.3 (4/1)
FRANCE CAC General (31/12/82)	482.5	480.0	477.7	476.10	491.00 (26/6)	417.90 (4/1)
Ind. Tendance (30/12/88)	113.3	113.3	111.7	112.0	114.6 (26/6)	97.5 (27/2)
GERMANY FAZ Aktien (31/12/58)	620.20	626.70	616.51	613.00	626.70 (4/7)	535.78 (27/2)
Commerzbank (1/12/53)	1844.1	1864.0	1834.8	1825.0	1864.0 (4/7)	1595.7 (27/2)
DAX (30/12/87)	1495.75	1505.67	1492.33	1473.72	1505.67 (4/7)	1271.70 (23/2)
HONG KONG Hang Seng Bank (31/7/64)	2350.67	2316.74	2270.81	2273.91	3309.64 (15/5)	2093.61 (5/6)
ITALY Banca Com. Ital. (1972)	645.47	649.16	651.97	649.44	651.97 (3/7)	577.49 (28/2)
JAPAN Nikkei (16/5/49)	33309.71	33190.38	33236.42	32948.6	34266.75 (31/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2478.02	2469.55	2467.15	2449.38	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS CBS 70.Rtn.Gen. (End 1983)	246.6	248.8	248.8	248.5	253.5 (28/6)	208.3 (3/1)
CBS All Shr (End 1983)	192.0	193.7	193.7	193.4	197.4 (28/6)	166.7 (1/3)
NORWAY Oslo SE (2/1/83)	635.28	632.18	628.35	630.58	665.61 (19/4)	467.17 (2/1)
SINGAPORE Straits Times Ind. (30/12/66)	1305.01	1303.83	1298.06	1307.67	1315.29 (29/6)	1030.69 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1604.0	1557.0	1531.0	1527.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2639.0	2621.0	2624.0	2628.0	2639.0 (5/7)	1961.0 (3/1)
SPAIN Madrid SE (30/12/85)	305.06	306.84	308.05	309.58	315.90 (13/6)	268.61 (1/3)
SWEDEN Jacobson & P. (31/12/56)	4286.1	4186.1	4179.9	4194.1	4286.1 (5/7)	3333.9 (3/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	759.5	755.7	752.0	746.0	759.5 (5/7)	613.1 (3/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	502.4	500.4	494.3	519.0 (17/2)	487.6 (13/6)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday July 5 1989

3pm prices July 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
30⅛	21¾	AAR	.44	1.5	20	108	29⅝	29	29½	+ ½
10⅛	8¾	ACM n	1.01	11.		142	9⅛	9⅛	9⅛	
11⅞	10⅛	ACMIn	1.26a	11.		367	11⅛	11	11⅛	+ ⅛
10⅜	8½	ACM M	n1.01	11.		104	9½	9⅛	9⅛	
11⅞	10	ACM Sc	1.26	11.		792	11⅞	11⅛	11⅞	+ ⅛
9⅛	8⅞	ACMSp	1.01	11.		455	9⅛	9	9⅛	
17⅛	10⅞	AL Lab	.10	.7	18	44	17	16⅞	17	— ⅛
4⅛	3⅛	AMCA	.12e	3.0	27	17	4	4	4	+ ⅛
6⅛	4½	AM Intl				407	5⅛	5	5⅛	— ⅛
23½	20	AM In pf	2	9.8		11	20⅞	20⅞	20⅞	+ ⅛
66½	40⅞	AMR			8	3012	64⅞	63⅛	64⅛	+ 1⅛
6⅞	3⅛	ARX				10	5⅞	5⅞	5⅞	
43⅞	35⅛	ASA	3a	7.0		1303	u43⅛	40⅞	43⅞	+ 2
22⅛	15⅛	AVX	.24	1.2	8	170	19½	19⅛	19½	+ ⅛
61⅛	43½	AbtLab	1.40	2.4	17	1287	59	58	59	+ ½
19⅞	15⅞	Abitibi g	1			21	15⅞	d15⅛	15⅞	— ⅛
12	7½	AcmeC	.40	3.4		4	11⅞	11⅞	11⅞	
8	6⅞	AcmeE	.32	4.3	19	5	7⅞	7⅞	7⅞	— ⅛
34⅛	20⅛	Acuson			24	53	31⅛	33⅞	33⅞	— ⅛
16⅞	14⅛	AdaEx	1.62e	12.		99	15⅛	15⅛	15⅛	— ⅛
16⅛	7⅛	AMD				2187	9⅞	9⅛	9⅛	— ⅛
43⅛	20⅛	AMD pf	3	9.1		127	33	33	33	— ⅛
11⅛	6½	Adobe				570	11⅛	11	11⅛	+ ⅛
19½	16½	Adob pf	1.84	9.8		8	19½	19½	19½	
9⅛	6⅛	Advest	.12	1.7	18	31	6⅞	6⅞	6⅞	— ⅛
58⅛	43½	AetnLf	2.76	4.9	9	1423	u58⅛	56⅛	56⅛	+ 1⅛
14	10⅛	AflPb				948	13⅛	12⅞	13⅛	+ ⅛
23⅛	14⅛	Ahmans	.88	4.0	18	1780	22⅛	21⅞	22	— ⅛
4⅛	2⅛	Aileen				4	2⅛	2½	2½	— ⅛
52⅛	37⅞	AirPrd	1.32	3.2	10	721	40⅞	40⅛	40⅞	
22⅛	15½	AirbFrt	.60	2.1	70	143	28⅞	28⅛	28⅞	— ⅛

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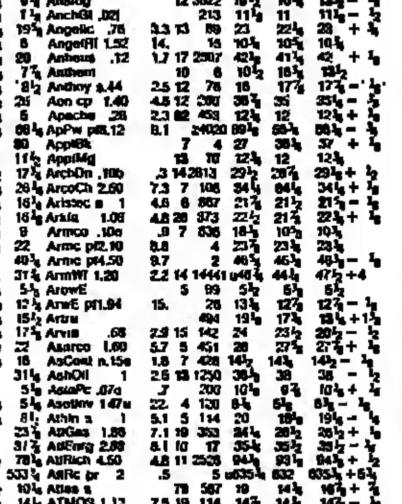

Continued on Page 39

صكذا من الاصل

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices July 5

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 3pm prices July 5

[illegible]

AMERICA

Dow regains lost ground as bargain-hunters arrive

Wall Street

WITH the dollar falling and the US economy apparently weakening, prices on Wall Street drifted without direction in the morning before recouping losses. Equity and bond investors were awaiting the outcome of the crucial policy-making meeting of the Federal Reserve in Washington this week, *writes Anatole Kaletsky.*

The Dow Jones Industrial Average opened about 15 points lower, in a mechanical reaction to the fall of the dollar in overseas trading on Tuesday, which was a public holiday in the US. But bargain hunters soon entered the market in modest numbers and by 2 pm the Dow had regained all lost ground, to stand 0.95 up at 2,453.72. Trading was fairly light, with 74m shares changing hands on the New York Stock Exchange, where declining shares outnumbered advancing issues by a small margin of about seven to six.

The bond market too was mixed, with long-term bonds falling by as much as ¾ point in response to the weakness of the dollar, but shorter maturities remaining unchanged or even rising slightly. The dollar fell sharply to Y138.45 and DM1.8835, compared to Y141.55 and DM1.9215.

The key to the markets' behaviour lay in the expectations of a cut in interest rates later this week or early next. After the weak report on US economic conditions released by the National Association of Purchasing Managers on Monday, most market operators seemed firmly convinced that the Federal Open Market Committee would vote for a slight easing of monetary policy in the very near future and might even leave open the possibility of a further cut before the next FOMC meeting in mid-August.

Before that policy could be implemented, however, the market saw at least one potential obstacle – the June employment figures due for release tomorrow morning. If payroll employment grew in June by more than about 250,000, the Fed might decide to delay a cut in interest rates for another few weeks. If, on the other hand, the payroll figures seemed extremely weak, the equity market could decide that the economy was sliding into recession, with or without an easing by the Fed. These two complementary fears seemed sufficient to deter many equity investors from taking large positions.

A small number of takeover developments failed to overcome the market's indecisive mood. The biggest deal-related moves involved Armstrong World Industries, the largest US manufacturer of floor coverings. The stock soared by $4 to $47½ after the Belzberg family of Canada announced a stake of 9.9 per cent.

Goodyear Tyre rose $1⅞ to $54¾ on rumours of buying activity by Pennzoil, but there was no confirmation of this. Time Inc advanced $3⅝ to $157⅝ after refusing comment on a rumour that Cablevision, a small cable holding company with ties to Texas billionaire Mr Robert Bass, was contemplating a bid.

Gold mining was the day's outstanding sector, as investors responded to hopes that the long bear market in gold might finally be bottoming out. Newmont Gold advanced $1⅝ to $34⅝, Homestake rose $⅝ to $13⅞ and Echo Bay Mines was the busiest stock on the American Stock Exchange, gaining $⅝ to $15.

Canada

TRADING was quiet in Toronto, with prices recovering by midday.

The composite index rose 3.8 to 3,760.1 with advances leading declines by 285 to 226 on volume of 12m shares.

SOUTH AFRICA

FIRM bullion prices and a weaker dollar helped gold shares rise further in Johannesburg, with other sectors following the upward trend.

Young brokers face disco ban to stay a step ahead

Tom Burns talks to a diplomat turned trader who takes a firm line as Spain's Big Bang approaches

MONICA Morales, a founding partner of Ibercorp, spends a lot of time telling the firm's young dealers and analysts to stay away from Archy and Pacha, Madrid's "Hooray Henry" discos.

"I lecture the young things madly because a lot of loose talk goes on in those places when they start to fill up at 3 am. The grapevine functions, and things come back to me magnified and twisted."

Playing Mother Bunny is part of the job for Mrs Morales, a Scotswoman who was posted to the Madrid embassy in the 1960s, married a Spaniard, dropped diplomacy for investment banking and has been a key player on the Spanish markets for the past 25 years.

There is every reason to be on extra alert now for the final countdown is under way for Spain's so-called "bolsa big bang"; new trading laws, effective from July 29, will radically overhaul the way business is done on the Spanish markets.

In September 1986, Ibercorp was one of the first brokerage houses to set itself up in preparation for the new legislation and Mrs Morales, who has moved from fund management to share trading, frets about what is going to happen. She does not know, for a start, how many similar companies will apply for bolsa membership.

BROKERS' WORLD

"People started saying there would be between 40 and 50 broking companies, then that there would be 50 to 60 and now they are saying there could be more than 70. Every Tom, Dick and Harry is setting up and I don't know what a lot of these people think they are going to sell."

What Mrs Morales does know is that nightclub nightcaps should be few and far between. "Wa were all very pally before but now *that's* going to stop. There has to be much less fraternising."

Under pre-big bang rules, trading on the Spanish markets was the preserve of the *agentes de cambio y bolsa*, a stockbroking fraternity that essentially played a public notary role and took a fixed fee on transactions. Now companies, either dealing or broking, will replace the *agentes*, continuous trading is online and the pace is going to be more hectic.

Already Mrs Morales works a *12-hour day. It starts at about* 8.30 am when she meets the firm's dealers and analysts to *"settle the day's news" and* it begins to wind up gradually at 7.30 pm when management *meetings* are held to *review* the day's progress. Lunch is often "a nasty sandwich."

Material rewards are not uppermost in her mind and, when she started, they were virtually non-existent. "I'd love to know who earns serious money, say Pta 40m (£207,000/$321,000) including bonuses, in this business in Spain. The bright young people coming in could earn more as accountants."

Asked why she does what she does, Mrs Morales talks about "the mind-stretching movement, the thrills and spills of the bolsas." After 25 years *monitoring* the Spanish economy and the domestic stockbroking community, Mrs *Morales insists that everything* is, *at* last, changing.

Monica Morales: "There has to be much less fraternising"

"There have been 72 bolsa listings in the past two and a half years and companies are going to the market to do things, to be creative, not to put money in their pockets. You see a company and you see it again four months later and you see that they have a whole strategy under way and that they are investing."

The profession has changed too. The emphasis is on fundamental research into what companies are doing and Ibercorp, like the other recently established broking houses, is attracting graduates from Insead at Fontainebleau, from *Chicago* and from other top international business schools – "the brighter they are the easier they are to train."

Unfortunately, the "100 per cent research driven" brightest and *best have* a habit of switching jobs – "there is some really heavy coming and going right now" – and Ibercorp has lost two of its latest four-strong trainee batch to the competition. That would be yet another reason for declaring discos out of bounds.

This article is the first in a weekly series.

EUROPE

Battered chemical issues drag Amsterdam down

IN A generally weak day in Europe, the Dutch market showed hefty losses while Switzerland rose against the trend, *writes Our Markets Staff.*

AMSTERDAM fell steeply as chemical stocks took a beating and Wall Street and the dollar lost further ground. The CBS tendency index dropped 2 points to 185.50 in modest turnover worth Fl 744m, with many investors sidelined.

The market began to fall suddenly during the afternoon, as chemical Akzo and steel stock Hoogovens turned down.

Investors were apparently becoming increasingly cautious about the possibility of a recession in the US and elsewhere, and thus nervous about cyclical stocks. Akzo lost Fl 3.30 to Fl 144.50 and DSM shed Fl 4.20 to Fl 131, while Hoogovens was off Fl 4 at Fl 114.

Publisher VNU lost Fl 4 to Fl 101 in active trading after a newspaper article on falling advertising revenues.

Against the trend, Heineken rose Fl 2.10 to Fl 125.90, benefiting from the continued hot spell and from its status as a defensive stock immune to the rigours of the economic cycle.

Banks were firm, too, with NMB up Fl 2.70 at Fl 229 after union agreement was reached on its planned merger with state-owned Postbank.

FRANKFURT fell prey to anticipated profit-taking by foreigners after its recent advances to post-crash highs. "We expected some consolidation because the market had been so euphoric," said an analyst.

She added that the profit-taking was likely to continue, but the market should then regain its npward momentum, because of the strength of the D-Mark, which would attract foreign capital, s belief that interest rates had peaked and the fact that blue chip stocks were still a long way from their all-time highs.

The FAZ index stayed above the 620 level, easing 6.50 to 620.20, and the DAX index lost 9.92 to 1,495.75. Trading was active again at DM6.7bn.

The pre-bourse had seemed in good shape, but investors soon began to take profits in the car and banking sectors. Deutsche Bank declined DM7 to DM622, although Commerzbank and Dresdner Bank continued to rise for chart-related reasons, adding DM4 to DM265 and DM3 to DM340.

Chemicals were one group to defy the downward trend. Bayer, whose shares were listed in Amsterdam at the start of the week, rose DM1.50 to DM300.70.

ZURICH was a rarity in Europe because most share prices rose. The Crédit Suisse index gained 3.1 to 621.4 in a session where foreign investors were active.

Landis und Gyr, the holding company, fell SFr20 to SFr1,270 after saying it expected sharply lower annual results because of restructuring costs.

PARIS suffered from the holiday blues, with turnover said to be similar to Tuesday's paltry FFr1.2bn.

Household appliances maker Moulinex rose FFr1.40 to FFr143.50 in busy trading amid revived speculation about who might buy the roughly one-third of the company held by the elderly founding president.

Midi gained a further FFr4 to FFr1,350 after rising sharply on Wednesday. Generali of Italy has been given until August 1990 to increase its stake up to 33 per cent. Meanwhile Axa, Midi's French partner, has been suthorised to increase its holding from 28.6 per cent to 33 per cent.

Paribas added FFr4 to FFr504, with suggestions the price was being supported to encourage investors to exercise warrants which expire at the end of the month.

The OMF 50 index shed 1.53 to 495.13 and the CAC 40 lost 4.43 to 1,737.6.

MILAN declined as profit-taking combined with political uncertainty to pull the Comit index 3.69 lower to 645.47.

Olivetti lost L28 to L9,480. It announced its largest ever order, for a bank automation system worth Fl 750m from Rabobank of the Netherlands. Fiat shed L121 to L10,854 and Montedison dropped L31 to L2,268.

MADRID fell in quiet trading as the cautious mood persisted. The general index lost 1.84 to 305.06.

BRUSSELS edged lower in a fairly active session, with the cash market index off 14.71 at 6,053.55.

Raffinerie Tirlemontoise, foods and sugar group, jumped BFr180, or 8.18 per cent, to BFr2,380 as 74,000 shares changed hands. In spite of widespread rumours, it was not clear who was buying.

STOCKHOLM rose across the board as volume slipped in light summer holiday trading. Turnover totalled only SKr199m. The Affärsvärlden General index added 4.8 to 1,226.0.

Skanska, the building company attracted interest, catching up on recent gains recorded by other companies. Its restricted B shares added SKr7 to SKr537. Skanska shares worth SKr13.5m *changed hands.*

HELSINKI trading was quiet apart from a few large deals in *blue chip* companies. The Unitas all-share index fell 3.2 to 765.3. The most traded free share was Union Bank of Finland's C series, which closed unchanged at FM31.0.

OSLO was mostly higher in thin trading worth NKr160m. The all-share index rose 2.04 to 489.94.

COPENHAGEN rose mainly as a result of bank issue gains, triggered by a strong local bond market.

ASIA PACIFIC

Good day for yen helps Nikkei to rebound

Tokyo

STABILITY on the foreign exchange market set the stage for a moderate rebound in equities, although trading was still sluggish, *writes Michiyo Nakamoto in Tokyo.*

Share prices climbed in early trading, but a lack of direction and energy quickly trimmed gains. After fluctuating between a high of 33,358.29 and a low of 33,221.27, the Nikkei average managed to close up 119.33 at 33,309.71.

Advances led declines by 489 to 373 while 217 issues were unchanged. Turnover, at 666m shares, was still much lower than levels seen under more promising conditions, but showed an improvement over the 545m traded on Tuesday.

The Topix index of all listed shares advanced 8.47 to 2,478.02 while the ISE/Nikkei 50 index in London fell 2.31 to 1,983.94.

Although nothing bad had happened to disperse the political uncertainty or long-term fears of currency market instability, a strong day for the yen offered a welcome break and prompted renewed interest in equities.

At the same time, institutional investors were said to be becoming desperate to turn in profits while investment trust funds, which were reported to be performing poorly, were also under pressure to make solid gains. Under these circumstances, it was not surprising that issues with quick price movements were active.

Investors seeking quick profits were fickle, however, and Sony, which had been a strong performer on Tuesday and early yesterday, closed down Y10 at Y7,870, after rising Y140 to match its record high of Y8,020 during the day.

Fujitsu, which firmed on the strength of press reports that it la capable of developing a mobile telephone smaller than the one made by US company Motorola, also hit a new high for the year of Y1,660 during the day, closing Y10 higher at Y1,650. It was the second most actively traded issue with 28.4m shares.

Fuji Photo Film maintained its upward momentum and shot up to Y4,400 in early trading, finishing Y80 higher at Y4,330. It was selected for its strong business performance, low price earnings ratio and quick price movements.

Large capital shipbuildings returned to the limelight, supported by the yen's strength. Mitsubishi Heavy Industries rose to the top of the volumes list with 38.7m shares changing hands, gaining Y60 to Y1,230.

Interest returned to issues related to the environment-protection theme. Daikin Industries, which has developed a substitute for chlorofluorocarbons, surged Y170 to Y2,040 in active trading.

Interest shifted to shipbuildings and machineries in Osaka, where the OSE average advanced 101.27 to 32,790.44.

Roundup

BARGAIN-HUNTERS helped Asia Pacific markets close higher, with Hong Kong rising fairly strongly for a second consecutive session.

HONG KONG experienced its second firm day in a row, as local and overseas demand continued to improve. The Hang Seng index rose 33.93, or 1.46 per cent, to 2,350.67 as turnover grew to HK$716m.

Properties rose, with Cheung Kong and Hongkong Land each 15 cents up at HK$7.20 and HK$7.10 respectively.

AUSTRALIA benefited from investors looking for blue chip bargains and situation stocks. The All Ordinaries index rose 3.8 to 1,513.4 in turnover of 91m shares worth A$152m.

Against the trend, Bond Corp plunged 10 cents, or 12.2 per cent, to a year low of 72 cents. Bell Resources, a Bond subsidiary, and Bell Group also fell, each losing 5 cents to 70 cents and 60 cents respectively.

Elders IXL, the brewing and agribusiness group, rose 3 cents to A$2.85 after Mr John Elliott and fellow directors said they were preparing a takeover bid. IEL gained 11 cents to A$2.10 in active trade of 14.7m shares, including a block of 10m shares traded at A$2.10 each, after falling on Tuesday following the purchase of a controlling stake by two of its executives.

SINGAPORE saw early gains trimmed by profit-taking, but shares still closed a little higher. Volume improved to 92m shares from 76m as the Straits Times industrial index rose 1.16 to 1,305.01.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood *Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries*

NATIONAL AND REGIONAL MARKETS	TUESDAY JULY 4 1989						MONDAY JULY 3 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (86)	132.00	+0.7	123.28	114.75	+0.6	5.19	131.02	123.14	114.07	157.12	128.28	140.14
Austria (19)	122.61	+0.7	114.69	122.65	+0.0	2.20	121.94	114.60	122.66	124.16	92.84	86.36
Belgium (63)	129.72	+0.5	121.15	128.92	-0.1	4.24	129.06	121.29	129.06	157.10	125.56	119.21
Canada (124)	140.62	+0.1	131.33	121.43	-0.1	3.26	140.54	132.06	121.56	141.80	124.67	127.98
Denmark (38)	202.56	+0.8	189.18	205.87	+0.2	1.64	201.34	189.23	205.52	202.56	165.35	130.85
Finland (26)	140.56	+0.5	131.27	128.17	+0.0	1.64	139.93	131.51	128.12	169.16	125.81	128.28
France (126)	121.37	+0.6	113.35	124.18	+0.2	3.06	120.62	113.36	123.93	122.79	112.57	97.55
West Germany (100)	92.06	+1.2	85.98	91.97	+0.8	2.21	91.02	85.54	91.25	92.06	79.56	77.11
Hong Kong (49)	96.25	+2.3	89.89	96.36	+2.3	5.55	94.11	88.45	94.22	140.33	86.41	107.54
Ireland (17)	135.23	+0.5	126.29	137.42	-0.3	3.07	134.57	126.47	137.80	151.36	125.00	135.61
Italy (97)	85.85	+0.2	80.18	89.12	-0.4	2.49	85.71	80.56	89.46	86.88	74.97	71.22
Japan (455)	175.36	-0.2	163.77	158.91	+0.1	0.51	175.64	165.07	156.82	200.11	164.22	159.60
Malaysia (36)	181.76	-0.1	169.75	188.48	-0.3	2.55	181.98	171.03	189.10	185.03	143.35	150.04
Mexico (13)	238.90	-4.1	223.12	653.15	-4.3	0.77	249.16	234.16	682.40	271.98	153.32	165.94
Netherland (43)	120.92	+0.6	112.93	119.49	+0.2	4.33	120.26	113.02	119.30	122.22	110.63	104.62
New Zealand (22)	65.64	+1.0	61.31	60.57	+0.8	6.15	64.98	61.07	60.11	76.02	62.64	76.25
Norway (26)	181.17	+1.6	169.20	173.24	+1.2	1.48	178.32	167.59	171.12	198.39	139.92	120.70
Singapore (26)	158.84	+0.4	148.34	143.57	+0.4	1.93	158.24	148.72	143.00	181.98	124.57	123.54
South Africa (60)	150.28	+0.2	140.35	132.72	+0.8	4.03	149.95	140.92	131.64	152.62	115.35	120.11
Spain (43)	150.24	+0.2	140.31	138.23	-0.4	3.57	149.99	140.97	138.80	156.17	143.14	151.12
Sweden (35)	167.33	+0.6	156.27	162.18	+0.4	2.12	166.26	156.26	161.52	167.33	138.45	117.21
Switzerland (57)	82.74	+1.2	77.27	84.45	+0.7	2.28	81.77	76.85	83.88	82.74	67.81	80.18
United Kingdom (312)	142.71	+1.1	133.28	133.28	+0.4	4.40	141.22	132.72	132.72	153.33	133.28	131.82
USA (555)	130.18	+0.0	121.58	130.18	+0.0	3.47	130.18	122.35	130.18	133.83	112.13	112.47
Europe (1004)	120.58	+0.9	112.61	116.89	+0.3	3.52	119.56	112.36	116.50	121.70	112.63	106.45
Nordic (125)	163.59	+0.7	152.78	154.98	+0.4	1.83	162.45	152.67	154.41	163.59	137.95	113.61
Pacific Basin (674)	170.77	-0.1	159.48	153.06	+0.1	0.74	170.92	160.64	152.90	194.72	160.44	158.72
Euro – Pacific (1678)	150.79	+0.2	140.82	138.53	+0.2	1.65	150.46	141.41	138.29	164.22	141.56	136.64
North America (679)	130.71	+0.0	122.07	129.65	+0.0	3.46	130.70	122.84	129.66	134.17	112.79	113.29
Europe Ex. UK (692)	106.46	+0.7	99.43	106.75	+0.3	2.85	105.71	99.35	106.47	106.46	96.30	90.66
Pacific Ex. Japan (219)	115.80	+1.1	108.15	105.16	+1.0	4.96	114.52	107.63	104.10	137.65	111.93	122.02
World Ex. US (1875)	150.46	+0.2	140.58	138.10	+0.2	1.72	150.17	141.13	187.87	162.77	141.49	136.21
World Ex. UK (2118)	142.19	+0.1	132.80	135.60	+0.1	2.09	142.12	133.57	135.49	146.04	136.98	126.50
World Ex. So. Af. (2370)	142.18	+0.1	132.78	135.39	+0.1	2.28	141.98	133.44	135.24	146.65	136.67	127.00
World Ex. Japan (1975)	126.60	+0.3	118.23	124.40	+0.2	3.54	126.16	118.57	124.21	128.01	114.51	111.34
The World Index (2430)	142.23	+0.1	132.83	135.37	+0.1	2.30	142.03	133.48	135.21	146.51	136.88	126.96

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Latest prices were unavailable for this edition.
US market closed July 4.